

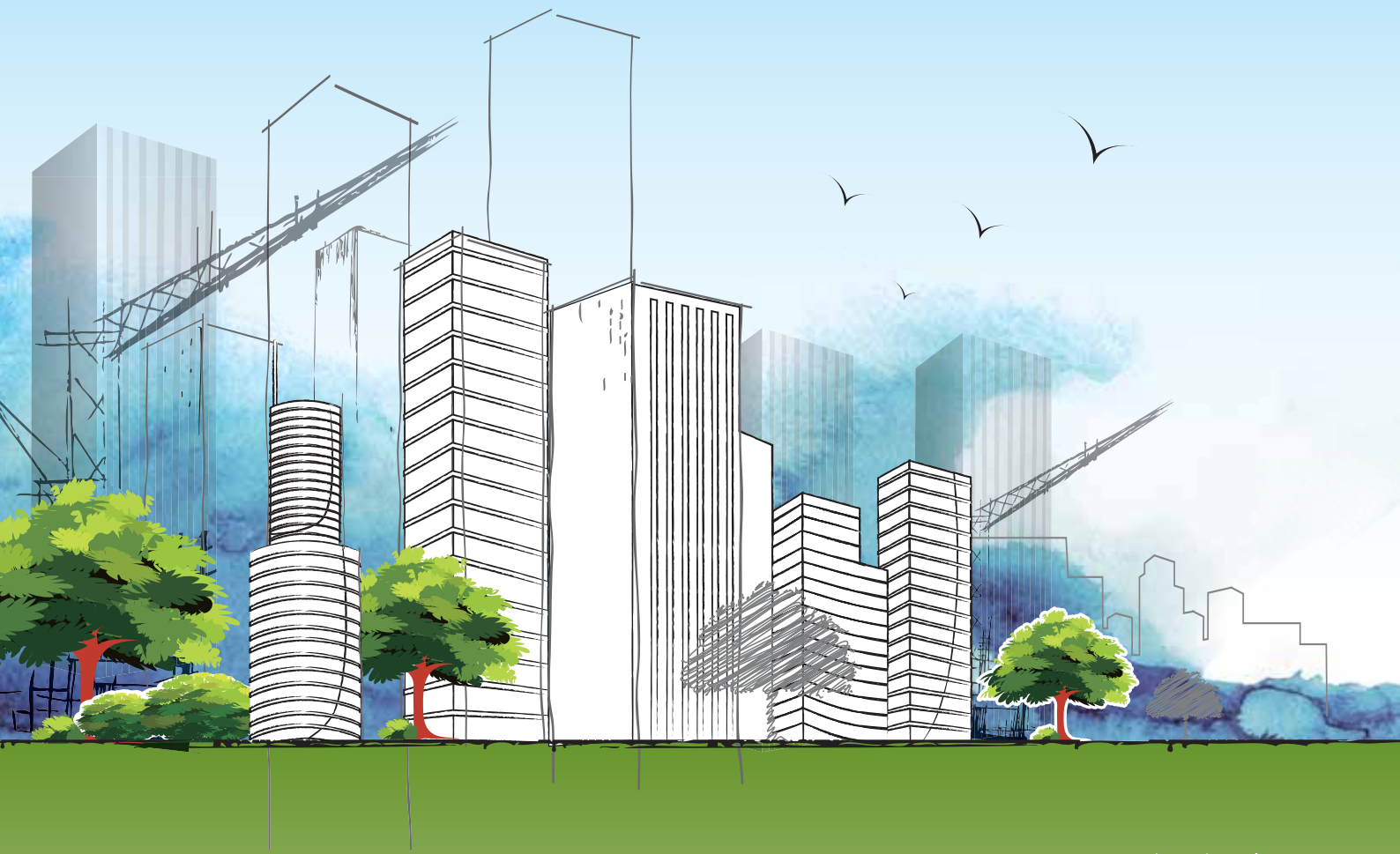
BAOYE GROUP COMPANY LIMITED

寶業集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China)

(於中華人民共和國註冊成立的股份有限公司)

Stock Code 股票代碼：2355



ANNUAL REPORT 2014 年年報



Our Mission
我們的使命

“From Construction To Manufacturing” 「從建造到製造」

leads construction industry towards
industrialisation in China.
帶領中國建築業走向產業化



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Corporate Profile

BUSINESS STRUCTURE



BAOYE GROUP COMPANY LIMITED

CONSTRUCTION BUSINESS

- Government and Public Buildings
- Urban Facilities and Infrastructure
- Commercial Buildings
- Residential Buildings
- Industrial Buildings
- Electrical and Electronic Installation
- Fireproof Facilities Installation
- Curtain Wall Installation
- Gardening and Landscaping

PROPERTY DEVELOPMENT BUSINESS

- Shaoxing "Baoye Four Seasons Garden"
- Wuhan "Baoye Guanggu Lidu"
- Shanghai "Baoye WanHuacheng"
- Shanghai "Baoye Centre"
- Shanghai "Qingpu Project"
- Bozhou "Baoye Mengdie Luyuan"
- Bozhou "Baoye Xiaoyao Luyuan"
- Bengbu "Baoye Xuefu Luyuan"
- Kaifeng "Baoye Longhu Yucheng"

BUILDING MATERIALS BUSINESS

- Curtain Wall
- Ready-mixed Concrete
- Steel Structure
- Furnishings and Interior Decorations
- Wooden Products and Fireproof Materials
- PC Assembly Boards
- Others

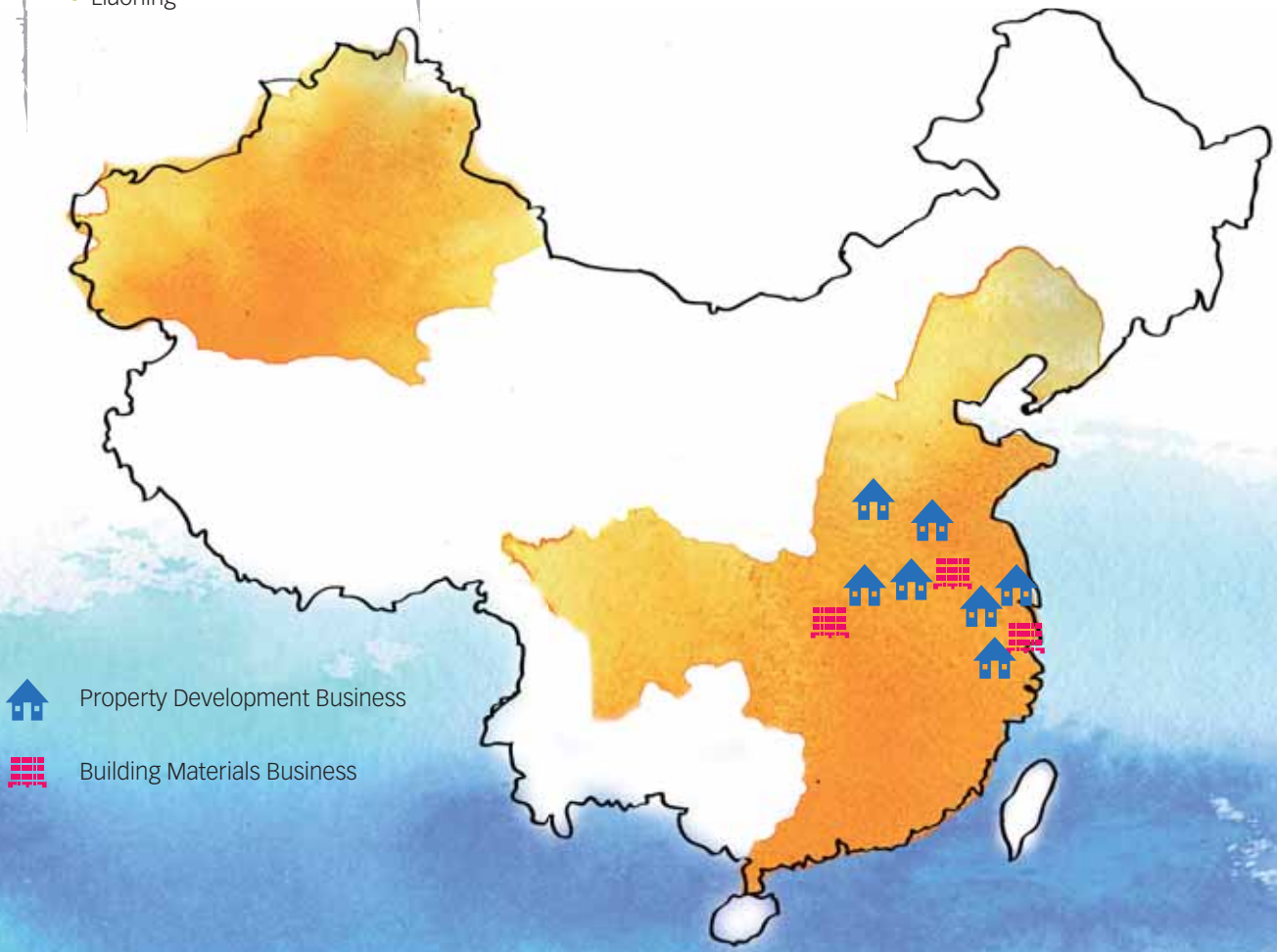
BUSINESS NETWORK

CONSTRUCTION BUSINESS	PROPERTY DEVELOPMENT BUSINESS	BUILDING MATERIALS BUSINESS
-----------------------	-------------------------------	-----------------------------

- Zhejiang
- Shanghai
- Jiangsu
- Anhui
- Hubei
- Hunan
- Beijing
- Tianjin
- Hebei
- Henan
- Shandong
- Shanxi
- Liaoning
- Sichuan
- Chongqing
- Xinjiang
- Jiangxi
- Fujian
- Guangdong
- Djibouti
- Botswana
- Seychelles

- Shaoxing
- Hefei
- Wuhan
- Shanghai
- Bozhou
- Bengbu
- Kaifeng

- Shaoxing Building Materials Industrial Park
- Hefei Building Materials Industrial Park
- Wuhan Building Materials Industrial Park



 Property Development Business

 Building Materials Business

Corporate Information

Directors

Executive Directors

Mr. Pang Baogen (*Chairman of the Board*)
Mr. Gao Lin
Mr. Gao Jiming
Mr. Gao Jun
Mr. Jin Jixiang

Non-executive Director

Mr. Fung Ching, Simon

Independent Non-executive Directors

Mr. Chan Yin Ming, Dennis
Mr. Wang Youqing
(Mr. Wang resigned as an independent non-executive Director on 25 August 2014)
Mr. Zhao Rulong
(Mr. Zhao was retired as an independent non-executive Director on 14 June 2014)
Ms. Jin Juxian
(Ms. Jin was appointed as an independent non-executive Director on 14 June 2014 and resigned as an independent non-executive Director on 2 July 2014)
Mr. Li Wangrong
(Mr. Li was appointed as an independent non-executive Director on 25 August 2014)
Ms. Liang Jing
(Ms. Liang was appointed as an independent non-executive Director on 25 August 2014)

Supervisors

Mr. Kong Xiangquan (*Chairman*)
Mr. Qian Yongjiang
(Mr. Qian was retired as a Supervisor on 14 June 2014)
Mr. Yuan Ajin
(Mr. Yuan was retired as a Supervisor on 14 June 2014)
Mr. Wang Jianguo
(Mr. Wang was appointed as a Supervisor on 14 June 2014)
Mr. Xu Gang
(Mr. Xu was appointed as a Supervisor on 14 June 2014)

Independent Supervisors

Mr. Li Yongsheng
(Mr. Li resigned as an independent Supervisor on 25 August 2014)
Mr. Zhang Xindao
Mr. Xiao Jianmu
(Mr. Xiao was appointed as an independent Supervisor on 25 August 2014)

Audit Committee

Mr. Chan Yin Ming, Dennis (*Chairman*)
Mr. Fung Ching, Simon
Mr. Wang Youqing
(Mr. Wang resigned as a member of the committee on 25 August 2014)
Mr. Li Wangrong
(Mr. Li was appointed as a member of the committee on 25 August 2014)

Remuneration Committee

Mr. Chan Yin Ming, Dennis (*Chairman*)
Mr. Pang Baogen
Mr. Zhao Rulong
(Mr. Zhao resigned as a member of the committee on 14 June 2014)
Ms. Jin Juxian
(Ms. Jin was appointed as a member of the committee on 14 June 2014 and resigned as a member of the committee on 2 July 2014)
Ms. Liang Jing
(Ms. Liang was appointed as a member of the committee on 25 August 2014)

Nomination Committee

Mr. Li Wangrong (*Chairman*)
(Mr. Li was appointed as a member of the committee on 25 August 2014)
Mr. Wang Youqing
(Mr. Wang resigned as a member of the committee on 25 August 2014)
Mr. Zhao Rulong
(Mr. Zhao resigned as a member of the committee on 14 June 2014)
Mr. Gao Jiming
Ms. Liang Jing
(Ms. Liang was appointed as a member of the committee on 25 August 2014)

Company Secretary

Ms. Ngan Lin Chun, Esther FCIS, FCS
 (Ms. Ngan resigned as the company secretary
 on 31 December 2014)
 Mr. Chow Chan Lum
 (Mr. Chow was appointed as the company
 secretary on 31 December 2014)

Auditors

International Auditor

PricewaterhouseCoopers
 22/F, Prince's Building
 Central, Hong Kong

Statutory Auditor

PricewaterhouseCoopers
 Zhong Tian LLP
 34/F Tower A, Kingkey 100
 5016 Shennan East Road
 Luohu District
 Shenzhen, the PRC
 Post Code: 518001

Legal Advisers

As to Hong Kong Law

Kwok Yih & Chan
 Suites 2103-05, 21st Floor,
 9 Queen's Road Central,
 Central, Hong Kong

As to PRC Law

Fenxun Partners
 Suite 1008, China World Tower 2
 China World Trade Centre
 No.1 Jianguomenwai Avenue
 Beijing, PRC
 Post Code: 100004

H Share Registrar

Tricor Tengis Limited
 Level 22, Hopewell Centre
 183 Queen's Road East
 Wanchai, Hong Kong

Principal Banks

Agricultural Bank of China Limited
 Bank of China Limited
 Bank of Communications Company Limited
 China Construction Bank Corporation
 China Minsheng Banking Corporation Limited
 Industrial and Commercial Bank of China Limited
 Shanghai Pudong Development Bank Company Limited

Registered Address

Yangxunqiao Township
 Keqiao District, Shaoxing City
 Zhejiang Province, the PRC
 Tel: 86 575 84882990
 Post Code: 312028

Headquarter Address

No.501 Shanyin West Road,
 Keqiao District, Shaoxing City,
 Zhejiang Province, the PRC
 Post Code: 312030

Correspondence Address in Hong Kong

Room 1902, MassMutual Tower,
 38 Gloucester Road,
 Wanchai, Hong Kong

Authorised Representatives

Mr. Pang Baogen
 Mr. Gao Jiming

Stock Code

HKEx (2355)

Contact

Investor Relations
 Baoye Group Company Limited
 Tel: 86 575 84135837
 Fax: 86 575 84118792
 E-mail: irbaoye@baoyegroup.com

Website

www.baoyegroup.com

Financial Highlights

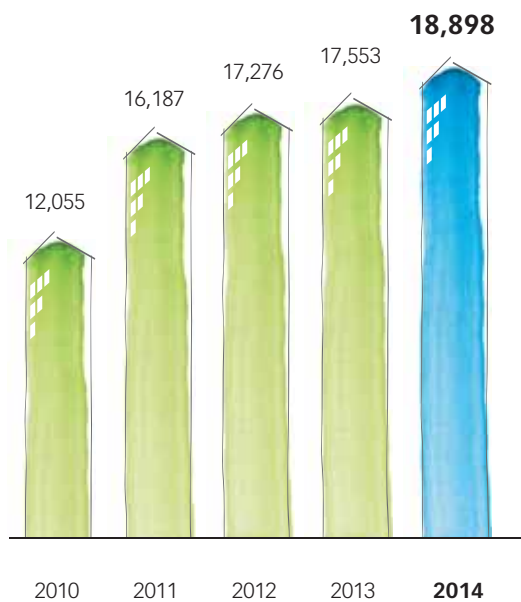
	Year ended 31 December				
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Results					
Revenue	18,897,996	17,553,323	17,275,899	16,186,830	12,055,243
Gross Profit	1,180,772	1,204,810	1,460,176	1,349,833	951,191
Net Profit	660,787	669,597	756,579	715,843	546,425
Profit Attributable to Owners of the Company	648,702	663,312	752,256	710,196	527,875
Earnings per Share (RMB)	1.009	1.001	1.135	1.071	0.796
Assets and Liabilities					
Total Assets	17,368,036	15,958,350	13,733,068	13,103,562	10,959,300
Total Liabilities	11,277,699	10,348,196	8,643,251	8,655,852	7,129,822
Total Equity	6,090,337	5,610,154	5,089,817	4,447,710	3,829,478

Key Financial Ratios

	As at 31 December	
	2014	2013
Return on Equity of the Company	10.9%	12.0%
Net Assets Value per Share (RMB)	9.46	8.31
Net Cash Ratio	25.5%	25.9%
Current Ratio	1.35	1.32
Cash Inflow from Operating Activities (RMB'000)	406,751	567,771

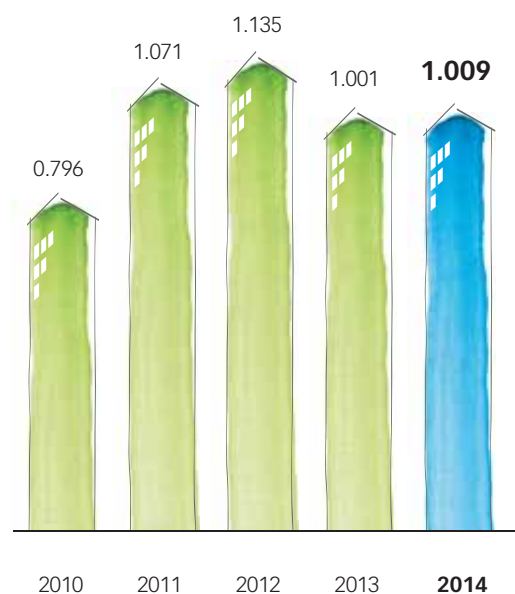
Revenue

(in RMB million)



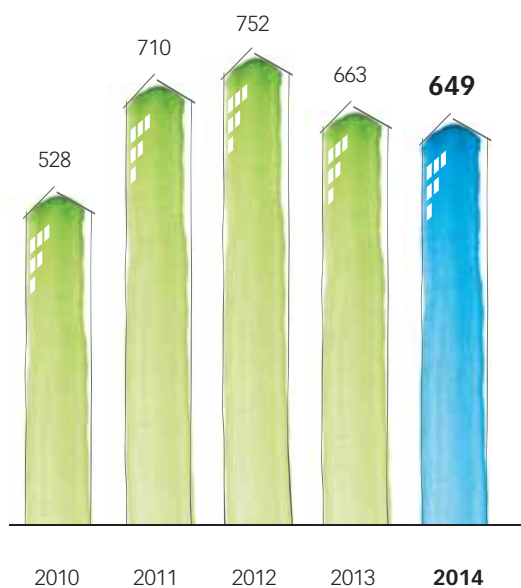
Earnings per Share

(RMB)



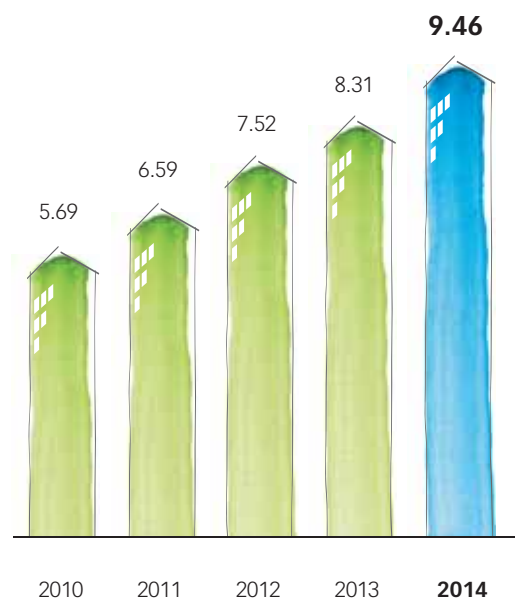
Profit Attributable to the Owners of the Company

(in RMB million)



Nets Assets Value per Share

(RMB)



Chairman's Statement

On behalf of the Board, I am pleased to report the audited financial results of Baoye Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

For the year ended 31 December 2014, the Group achieved an audited consolidated revenue of approximately RMB18,897,996,000, representing an increase of approximately 7.7% as compared to last year; profit attributable to the owners of the Company amounted to approximately RMB648,702,000, representing a decrease of approximately 2.2% as compared to last year; earnings per share was RMB1.01, comparatively the same over the same period last year. The Board proposed a final dividend of RMB0.1 for the year. Details of operating and financial performance of the Group will be discussed in the "Management Discussion and Analysis" section of this annual report.

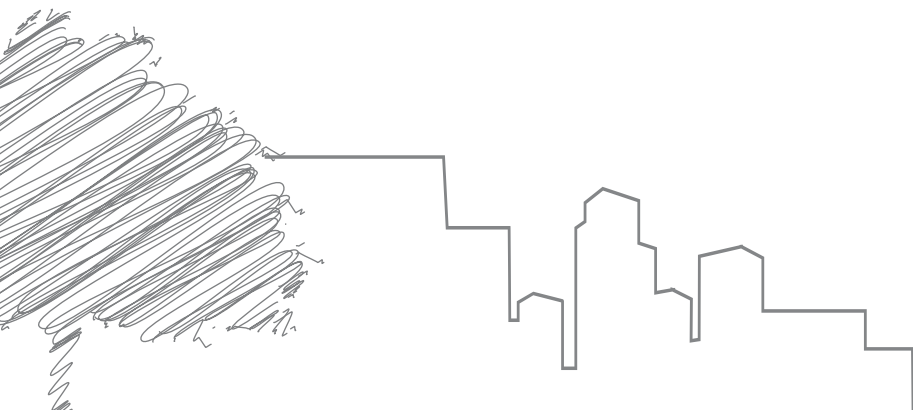
Pang Baogen
Chairman of the Board

In 2014, the China economic development faced a downward trend with problems in the areas of structural imbalance and excess production capacity leading into a “new regular trend”. It is imperative to correctively rationalize this new regular trend, adaptive to it, and leads on this new regular trend through understanding of the industry’s current position and trend, identifying the current issues and development trend and setting directions, remedial plans and strategies in the years ahead.

By comparing the “old regular trend” versus “new regular trend”, China’s economic achievement in the past 30 years under the old regular trend has been enormous and remarkable, people livelihood has been enhanced greatly, moving from a lower-tier income level to a mid-tier income level country. In the past 30 years, market demand moves from a supply economy into excess production capacity, benefitting from a low labor cost base and sizable investment with abundant supply of resources to support and realize rigorous growth, in particular the construction industry. The rapid and unprecedented growth in construction industry in the past 30 years, a development phase which cannot be matched in the last 100 years of history, was a result of economic reform implemented by the China

government, it is fair to say that Baoye’s development history is an epitome of the entire construction industry leveraged on old regular trend. Going forward, after 30 years of continued rapid growth and development, the economic development is now entering a new phase of era into a lower growth economy, from an investment lead economy into a saturated traditional industry mode, with the infrastructural constructions in Central and Eastern China have become more intense, the real estate and construction industry have turned from rapid growth to steady growth mode, all of which shall be the challenges the real estate and construction industry shall face in its future development.

However, a moderate and lower growth development does not stand for there is no growth, the industry will reap on the new regular trend to tap on new development opportunities. First of all, there is close inter-connection between construction industry and economic development. So long as the economy continues to grow, there are much rooms for the construction industry to develop and expand; on another front, it is expected that some construction enterprises will encounter capital strain resulting from inferior market conditions and severe or worsening of local debts triggered by enterprises’ bilateral cross-guarantee



Chairman's Statement (continued)

debts, leading to liquidation and re-organization, which will present new expansion and acquisition opportunity for the better managed enterprises with healthy financial back up. With respect to real estate industry, our view is that the housing shortage has already reached its equilibrium level, consumers tend to look for quality housing in their spending and hence construction companies will need to supply quality built units to satisfy these demands. The real estate market in China will further be segmented, with first tier cities represented by Beijing, Shanghai and Guangzhou, and then second and third tier cities, residential and commercial properties, in premium areas and lower rank areas. By applying these principles, having the competitive edges and the only vertically integrated enterprise in the industry in China, the Group shall adopt prudent and conservative operating principle from design, technology, comfortability, and build to lower its manufacturing costs and enhance its value of products to foster changes in business development.

The new regular trend shall bring structural changes in economic development. The slower growth in economy shall force the industry to undertake changes and transformation. Driven by the increase in labor cost, limited supply of resources, and overhead costs increase, technology enhancement and improvement are the driving force for the future development in the industry and become the irreversible trend for the Group. These initiatives have been implemented

in 2014 and have attained commendable results through adoption of five business models, i.e. supply chain model, design standardization, scalable production, standardization in assembling, furnishing standardization, and management information control system, to achieve transformation and enhancement. Using and applying its two housing industrialized systems of light steel structure and PC assemble concrete and prefabricated technologies, as well as the three housing industrial parks, the Group will reap this historical opportunity to benefit its three core businesses in enhancement and transformation.

The earth evolutionary history taught us it is not the biggest and strongest animals who can survive at last but the ones who can adapt to the environmental changes. I always believe that a healthy and steady development with financial strength is more important than short term and speedy gains. Especially, in these special circumstances, "strength does not count on big", as and when the industry undergo a series of fundamental changes and new development, we should maintain a clear mind, be more conscious of the current situation and grasp the fleeting opportunities. A success relies on perseverance. Baoye will continue to focus our strengths on its three main businesses and try its best to realize housing industrialization dream, making the company an innovative and long standing premier enterprise.

Last but not least, I, on behalf of the Board, would like to extend my sincerest thanks to our shareholders, investors, customers, vendors, banks, and other intermediaries for their continuous patronage and support; special thanks to our loyal employees for their hard work and dedication to achieve success, and together, we look forward to another rewarding years for our shareholders in the years to come.

In 2014, we advanced with challenges. In 2015, we will continue to advance and will continue to shine.

Mr. Pang Baogen

Chairman of the Board

27 March 2015



An aerial photograph of a golf course and a modern building is overlaid with a semi-transparent green map of the United States. The map is centered on the eastern half of the country. In the top left corner, there is a blue decorative graphic element resembling a stylized bird or wing.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis (continued)

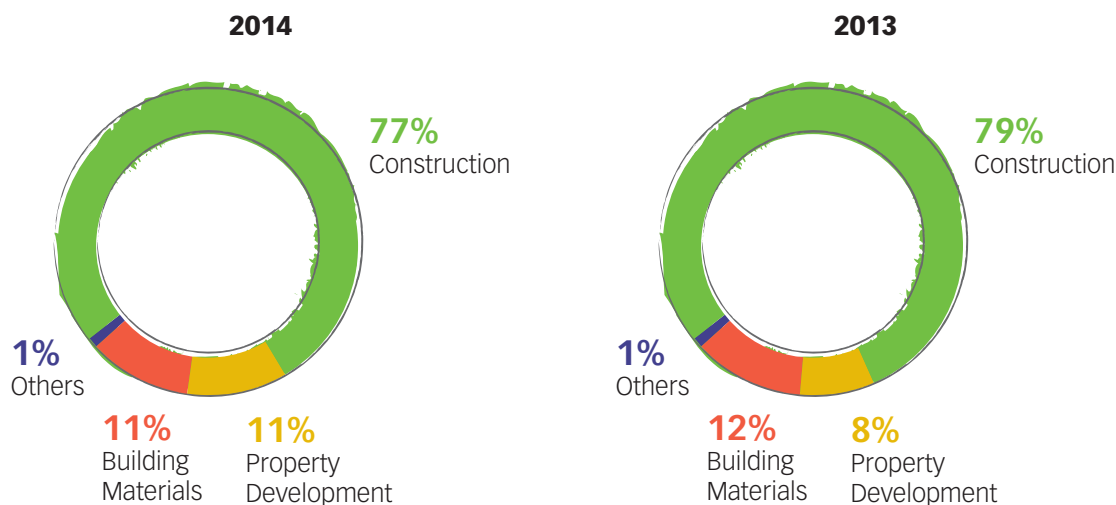
Results Review

For the year ended 31 December 2014, the Group achieved a consolidated revenue of approximately RMB18,897,996,000 (2013: RMB17,553,323,000), representing an increase of approximately 8% compared to the previous year; operating profit reached RMB840,710,000 (2013: RMB947,627,000), representing a decrease of approximately 11% compared to last

year; profit attributable to the owners of the Company amounted to approximately RMB648,702,000 (2013: RMB663,312,000), representing a decrease of approximately 2% from last year; earnings per share was RMB1.01 (2013: RMB1.00), comparatively the same over the same period last year.

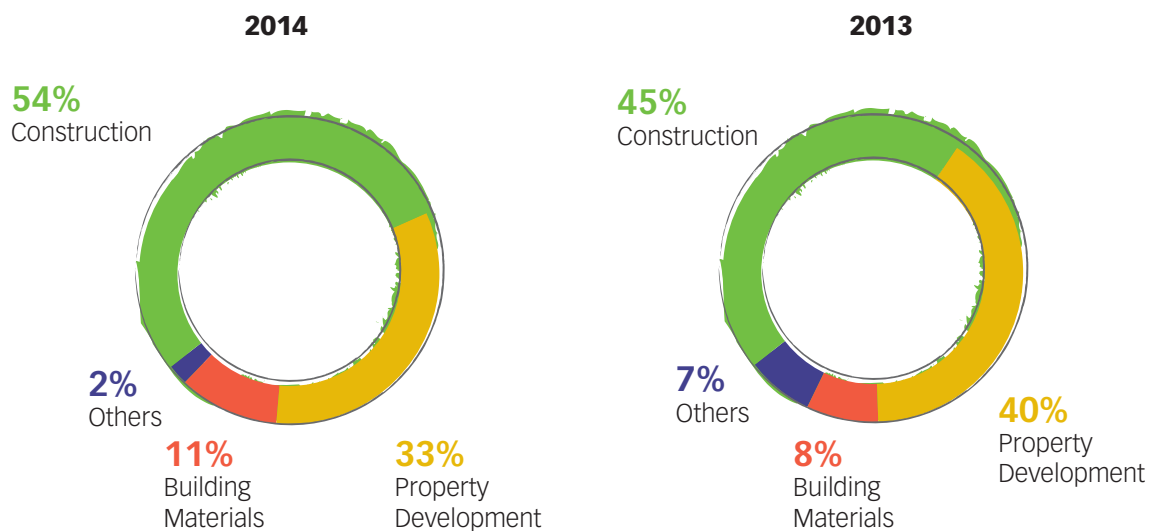
Revenue

	For the year ended 31 December				Change
	2014		2013		
	RMB'000	% of total	RMB'000	% of total	
Construction	14,568,202	77%	13,961,972	79%	4%
Property Development	2,090,226	11%	1,405,818	8%	49%
Building Materials	2,114,170	11%	2,066,685	12%	2%
Others	125,398	1%	118,848	1%	6%
Total	18,897,996	100%	17,553,323	100%	8%



Operating profit

	For the year ended 31 December				
	2014		2013		Change
	RMB'000	% of total	RMB'000	% of total	
Construction	452,869	54%	431,777	45%	5%
Property Development	281,504	33%	376,002	40%	-25%
Building Materials	90,729	11%	72,566	8%	25%
Others	15,608	2%	67,282	7%	-77%
Total	840,710	100%	947,627	100%	-11%



Management Discussion and Analysis (continued)

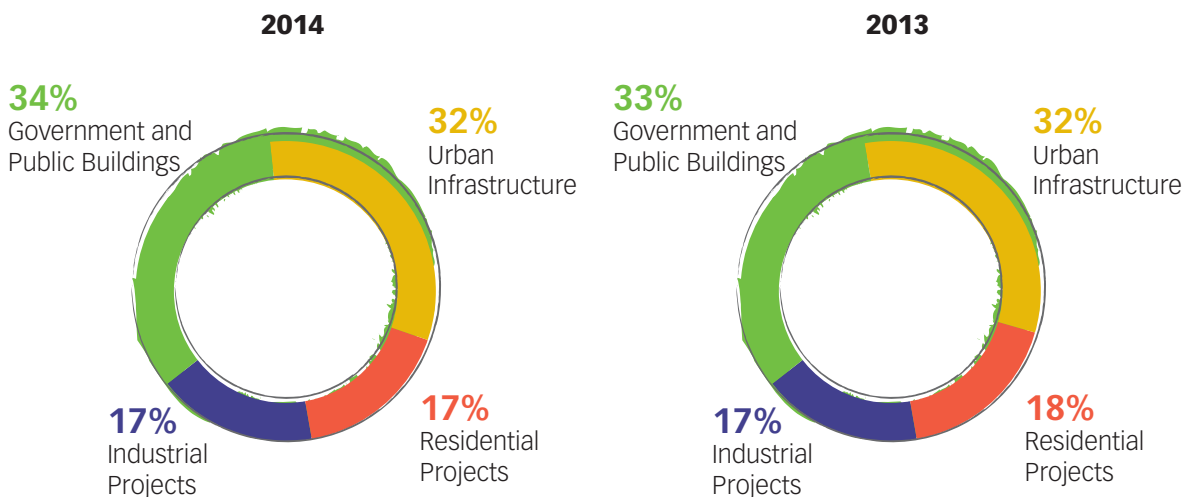
Construction Business

For the year ended 31 December 2014, the Group’s construction business achieved revenue of approximately RMB14,568,202,000, representing a growth of approximately 4% over last year; operating profit amounted to approximately RMB452,869,000, representing an increase of approximately 5% over last year.

For the year ended 31 December 2014, the Group’s accumulated recognised revenue for the construction contacts under construction in-progress amounted to approximately RMB56,539,559,000, representing an increase of approximately 15% over last year. The accumulated recognised revenue for the construction contacts under construction-in progress is analysed below:

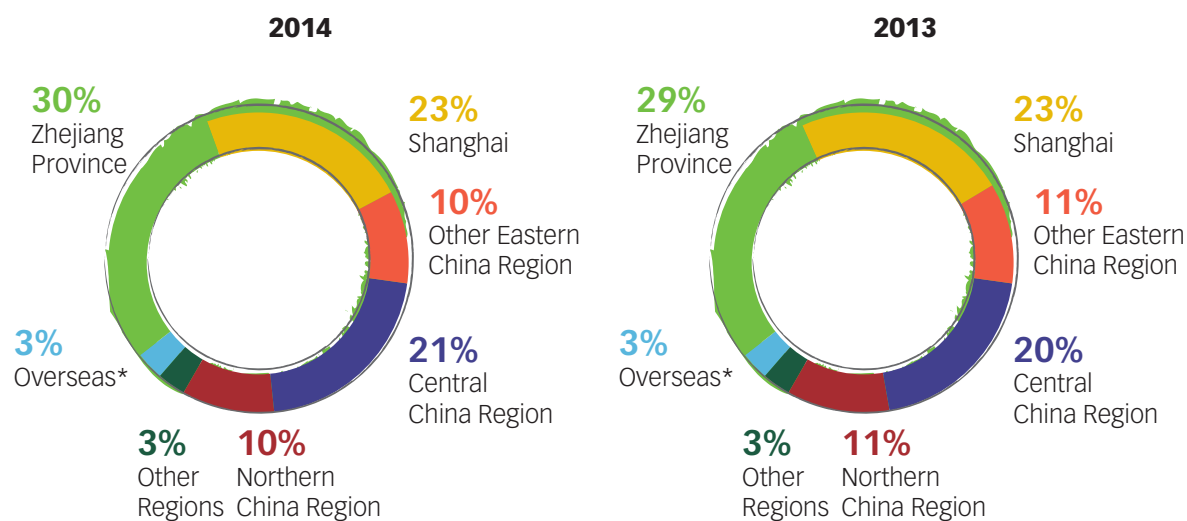
By project nature

	As at 31 December				
	2014		2013		Change
	RMB’000	% of total	RMB’000	% of total	
Government and Public Buildings	18,997,292	34%	16,053,174	33%	18%
Urban Infrastructure	18,149,199	32%	15,717,301	32%	15%
Residential Projects	9,837,883	17%	9,161,718	18%	7%
Industrial Projects	9,555,185	17%	8,323,265	17%	15%
Total	56,539,559	100%	49,255,458	100%	15%



By region

	As at 31 December					
	2014		2013		Change	
	RMB'000	% of total	RMB'000	% of total		
Zhejiang Province	16,735,710	30%	14,038,117	29%	19%	
Shanghai	13,004,099	23%	11,378,263	23%	14%	
Other Eastern China Region	5,710,495	10%	5,664,503	11%	1%	
Central China Region	11,760,228	21%	9,654,284	20%	22%	
Northern China Region	5,880,114	10%	5,467,477	11%	8%	
Other Regions	1,922,345	3%	1,674,723	3%	15%	
Overseas*	1,526,568	3%	1,378,091	3%	11%	
Total	56,539,559	100%	49,255,458	100%	15%	



* Overseas construction business was principally carried out in three African countries, namely Djibouti, Botswana and Seychelles.

Management Discussion and Analysis (continued)



in value, representing an increase of approximately 26% compared to last year, including a large number of high end projects, which includes Zhijiang School revitalisation project of Zhejiang University of Technology, the revitalisation project of Ren Ji College of Wenzhou Medical University, the railway station hall of Zhengzhou-Xuzhou line and the Tianjin Hubin Plaza. As one of the first pilot enterprises of EPC (Engineering, Procurement, Construction) in Zhejiang Province, the Group will seize the opportunity to renew business model and pursue the change from a construction contractor to a general contractor. After undertaken of the BT project of Ocean Science and Technology Innovation Park in Wenzhou Economic Technology Development Zone, the Group has been able to intake another BT project of Qutun Replacement Residence in Jinghu New District of Shaoxing City, benchmarking an important milestone of the emerging business model for its construction business.

During the year, the Group continuously deepens the execution of contract management and promotes the operation principle of “To focus attention to big markets, high value clients and high end projects”, strengthens the existing markets and explores new potential markets actively and focuses its strength on intake of high grade projects. Relying on its high quality products and services, as well as a good reputation, the Group’s construction business new contract maintained a steady growth. In 2014, the Group has secured new construction contracts amounted to approximately RMB24.9 billion (2013: RMB19.8 billion)



The Group emphasizes on brand building. It was the leader of all competitions during the year, which helped to enhance the Group's reputation. In 2014, the Group received a total of 83 awards. The key awards are as follows:

Projects Name	Awards
Curtain Wall Project of Shaoxing Union International Building	National Construction Decoration Project Award
Curtain Wall Project of China Merchants Building in Shekou, Shenzhen City	National Construction Decoration Project Award
Baoye Guanggu Lidu	Chutian Cup
The First People's Hospital in Dengzhou City	Zhongzhou Cup
Curtain Wall Project of Zhenhai Cultural Centre	Excellent Construction Decoration Project Award in Zhejiang Province
Green Town·Jade Lake ·Rose Garden	Amber Cup
The Reconstruction Project of Liaoning People's Hospital	Golden Cup honored by three cities of Haerbin, Changchun and Shenyang
Fuyang Rural Cooperative Bank in Zhejiang Province	West Lake Cup
Shaoxing Sports Centre	Textile City Award
Heating Installation Project of Juyin International Commercial Centre	Excellent Installation Award in Zhejiang Province

Management Discussion and Analysis (continued)

Property Development Business

Property Sales

For the year ended 31 December 2014, revenue of the Group’s property development business amounted to approximately RMB2,090,226,000 (the revenue before deductions of sales tax and related levies was approximately RMB2,233,521,000), representing an increase of approximately 49% from last year. Operating profit amounted to approximately RMB281,504,000

representing a decrease of approximately 25% compared to last year. The increase of revenue and decrease of the operating profit of the property development business were mainly due to the lower profit margin properties’ products for Dongcheng Square and City Green Garden in Hefei city which were recognized during the year. Properties’ sale recognized last year was mainly attributable to Daban Fengqing which carried a comparatively higher profit margin.

For the year ended 31 December 2014, revenue of property sales was mainly derived from the following projects, details of which are set out below:

Project	Location	Average Selling Price (RMB/Sqm)	Floor Areas Sold (Sqms)	Revenue (RMB'000)
Baoye Dongcheng Square	Hefei	7,358	142,881	1,051,316
Baoye City Green Garden	Hefei	5,498	54,496	299,614
Baoye Daban Fengqing	Shaoxing	8,604	21,390	184,046
Baoye Jiangwan Luyuan	Shaoxing	4,773	31,127	148,561
Four Seasons Garden· He Garden	Shaoxing	44,536	3,216	143,229
Baoye Mengdie Luyuan Phase I	Bozhou	4,351	39,193	170,523



For the year ended 31 December 2014, the sales contracts of the Group's property development business amounted to approximately RMB2.8 billion (2013: RMB2.4 billion) and a contract sale area of

approximately 260,000 square metres, excluding the property sales registered under joint ventures, all such sale units will be progressively completed, delivered and recognized as revenue in the next two years.

Projects under development

As at 31 December 2014, the Group's projects under development are set out below:

Projects Name	Location	Total Estimated Gross Floor Area under Development (Sqms)	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	446,000	100%
Baoye Guanggu Lidu	Wuhan	300,000	100%
Baoye WanHuacheng	Shanghai	245,000	100%
Shanghai Baoye Centre	Shanghai	27,000	100%
Baoye Mengdie Luyuan	Bozhou	384,000	50%
Baoye Xiaoyao Luyuan	Bozhou	131,000	50%
Baoye Xuefu Luyuan	Bengbu	199,700	63%
Baoye Longhu Yucheng Phase I	Kaifeng	170,000	60%



Management Discussion and Analysis (continued)

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a “province-rank” resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilisation flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from the downtown of Shaoxing City, it is known as the “natural treasure in the heart of a city”. Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres with 0.5 time plot ratio and a planned gross floor area of approximately 525,000 square metres for the development of deluxe villas, semi-detached villas and town houses. It also consists of a golf club, a five-star resort hotel, two leisure parks, a sport park, a shopping arcade, a kindergarten and a central lakeside garden fully equipped with supporting facilities. This project is developed in 12 phases, of which, Lotus Garden, Liu Garden and certain portion of He Garden had been delivered to owners, Ming Garden and Run Garden Phase I and Phase II have almost been sold out; Xi Garden, Jing Garden and Fu Garden are under pre-sale.

Baoye Guanggu Lidu is located in the East Lake New Technology Development Zone in Wuhan City with a total site area of approximately 120,000 square metres and an estimated gross floor area of approximately 300,000 square metres. The project comprises 18 high-rise residential buildings and commercial units, aiming to build reasonably scaled residential units with well-developed facilities, convenient transportation with a rich cultural connotation. The project is developed in

three phases, of which, phase I was almost sold out and will be delivered to owners in 2015.

Baoye WanHuacheng, located in Huinan town, Pudong New District, Shanghai, is positioned in the hub of the prime area of Pudong’s golden triangle, and supported by convenient transportation and well-developed community facilities. It has a total site area of approximately 106,950 square metres and an estimated gross floor area of approximately 245,000 square metres comprising high-rise residential units, town houses and commercial units. The project was launched for pre-sale in December 2013 with satisfactory results and will be delivered to owners in 2015.

Shanghai Baoye Centre is located in Hongqiao commercial business district, Shanghai, a prime location with convenient transportation. It has a total site area of approximately 8,130 square metres and an estimated gross floor area of approximately 27,000 square metres, of which, approximately 13,000 square metres above-ground and approximately 14,000 square metres underground, which will be developed as office buildings.

Baoye Mengdie Luyuan is located in Mengcheng County, Bozhou City, Anhui Province. It has a total estimated gross floor area of approximately 430,000 square metres, divided into East and West wings, comprising multi-storey units, high-rise residential and shopping units. This project is an ideal place for residential and commercial development with a unique style and convenient transportation. It will be the landmark of

Mengcheng County when completed. The project is developed in six phases, of which, phase I has been delivered to owners in the first half of 2014, phase II and phase III were launched for pre-sale with satisfactory results.

Baoye Xiaoyao Luyuan is located in new district of south of Mengcheng County, Bozhou City, Anhui Province, has a total site area of approximately 93,000 square metres, comprising of semi-detached villas, garden house, high-rise residential and commercial buildings, which will be a new centre in the new district with its features of distinctiveness, fashion, high-grade and inclusiveness. This project is under development stage.

Baoye Xuefu Luyuan, is located in Bengbu City, Anhui Province. It has a total site area of approximately 62,600 square metres and an estimated gross floor area of approximately 199,700 square metres of which approximately 20,000 square metres are affordable housing. The project comprises 15 buildings and has commenced construction in July 2014. It is expected to be delivered to owners in 2016.

Baoye Longhu Yucheng, is located in a prime area of Eastern New City, Kaifeng County, Henan Province. It has a total site area of approximately 900,000 square metres and an estimated gross floor area of approximately 1,200,000 square metres. After completion, it will become the city's new business centre and leisure centre. The project will be developed in 5 phases, of which, phase I was under pre-sale in 2014.

New Land Reserve

In 2014, the Group acquired two parcels of land use right through public tender and auction at a total consideration of approximately RMB800 million, one of which is located in Qingpu District, Shanghai, at a total consideration of approximately RMB570 million. The first parcel of land has a total site area of approximately 28,000 square meters with 2.0 times plot ratio. It will adopt industrialized construction technology to build. The other parcel of land is located in Qingshan District, Wuhan City, Hubei Province. This parcel of land has a total site area of approximately 15,600 square metres at a total consideration of approximately RMB228 million.

The Group continues to adopt a prudent but proactive role in land acquisition and business expansion. The Group has land reserve in cities of Shaoxing, Wuhan, Shanghai, Hefei, Bozhou, Kaifeng and Bengbu, and all of which will benefit from the lower land costs and scalable regional penetration, enabling the Group to foster the profitability and risk resistance levels.

Building Materials Business

For the year ended 31 December 2014, revenue of the Group's building materials business amounted to approximately RMB2,114,170,000, representing an increase of approximately 2% over last year; operating profit was approximately RMB90,729,000, representing an increase of approximately 25% from last year.

Management Discussion and Analysis (continued)

For the year ended 31 December 2014, revenue from the Group's building materials is analysed below:

	For the year ended 31 December				Change
	2014		2013		
	RMB'000	% of total	RMB'000	% of total	
Curtain Wall	1,126,801	53%	1,086,414	52%	4%
Ready-mixed Concrete	386,484	18%	371,366	18%	4%
Steel Structure	251,002	12%	245,147	12%	2%
Furnishings and Interior Decorations	229,410	11%	262,652	13%	-13%
Wooden Products and Fireproof Materials	80,107	4%	100,182	5%	-20%
Others	40,366	2%	924	0%	4269%
Total	2,114,170	100%	2,066,685	100%	2%

During the year of 2014, the traditional building materials businesses of curtain wall, ready-mixed concrete and steel structure still maintained steady growth and the new pilot businesses of PC assemble boards and light steel industrialized housing components are actively being promoted and applied in new village construction, affordable housing and shantytowns reconstruction besides the application of projects in hand. The up surge of others' segment growth was mainly contributed by the rapid growth of PC assembly boards.

During the year of 2014, the Group sustained market shares in existing markets and enhanced market shares in new markets. Zhejiang Baoye Curtain Wall Decoration Company Limited successfully explored new markets in Xinjiang, Yunnan, Guizhou and Inner Mongolia, ensured the business resource by building friendly cooperation with real estate developers, and secured a number of high-end projects, such as Xinjiang Hexie International Plaza, Yunan Kunming Xishan Wanda Plaza, the Industrial Park of Guizhou Maotai and the Stadium of Hohhot. The steel structure project of the Swimming Stadium of Shaoxing County Sports Center built by Zhejiang Baoye Steel Structure Company Limited was awarded the Golden Prize of China Steel Structure Projects.

Business Prospect

The year of 2015 is an important year to deepen the national reform and build legal perspective to govern the country. By entering into the new regular trend of the China economy, the Group will proactively adjust its development norm by adopting the operating principal of "a healthy and sustainable development is more important than short-term gains", the Group will ensure a steady development of its three businesses in construction, property development and housing industrialization and seize new opportunities for future development by responding to the changes in policies and environment from time to time.

Construction business is the platform for the Group's business development

According to the document "Some Suggestions on Construction Industry Development and Reform" published by the Ministry of Housing and Urban-Rural Development of the People's Republic of China (the "MOHURD"), the government will try to help building a national construction market system, which will be filled with open, reasonable competitiveness, integrity and powerful supervision, aiming to transform the traditional construction industry, promoting the modernization of this industry, and ensuring a healthy and sustainable

development for the construction industry. Facing such new market challenges, which are considered to be more competitive, the Group, equipped with its premium grade certification as a general constructor, will persist on the steady development idea and refine risk management control procedures to improve the quality of our products and services, to strengthen its competitiveness to intake of high end projects.

The Group has benefited from the prudent regional operation model. In the future, the Group will continuously execute the contract management and optimize the regional operation, to focus and strengthen on the existing mature markets, and develop new potential markets, especially in intake of high quality projects. In view of the fact that the government encourages private capital to participate in infrastructural construction, the Group will speed up the transformation of business model, making a solid foundation for future BT projects by solidifying its practical experience and its able competency level to correct deficiencies. Furthermore, as one of the first pilot enterprises of EPC (Engineering, Procurement, Construction) in Zhejiang Province, the Group will promote the projects with EPC model actively and try to participate in the PPP (Public-Private-Partnership) model, in order to help transforming the construction industry and strengthening our construction business.

Property development business contributes substantial profit to the Group

The Group will maintain its prudent and steady operation policy for property development business. Facing the “stabilize the real estate market” policy from the central government, the Group will continue to acquire land prudently. By relying on the advantages of housing industrialization in brand and technology, the Group tries to improve the product’s quality and technology contents, and adopt new marketing strategies and efficiencies to enhance revenue.

As a vertically integrated enterprise with emphasis on construction, property development and housing industrialization, the Group will seize this opportunity giving rise by housing industrialization and positioning its advantages to explore a new property development model and pave a new path by constructing two sample projects of Baoye WanHuacheng 23rd building and Shanghai Qingpu Project, which will be built by applying the housing industrialization methodologies, setting out a new breakthrough in the market place. Meanwhile, the Group will adopt BIM’s technology in the property development. On the basis of BIM’s applications, the quality and efficiency of properties will be improved by information technology enhancement, thus the traditional real estate industry will be transformed and enhanced.

Housing industrialisation is an important strategy to sustain continuous growth for the Group

The year of 2014 is regarded as the starting year of Chinese housing industrialization. It has drawn unprecedented attention this year due to increasing labor cost, severe pollution and the industrial and economic transformation. On one hand, the local governments successively enacted policies to promote the housing industrialization. On the other hand, the housing industrialization companies increased investment in research and development of housing industrialization, hoping to gain more market shares in this new field. As one of the leaders in housing industrialization industry, the Group has a team of research, design, construction, manufacture and operation of the complete production line of housing industrialization. In the future, the Group will accumulate more practical experience by constructing projects in mass production scale, aiming to increase business volume and improve project quality of the housing industrialization business drawn on its competitive advantages in its three core businesses.

Management Discussion and Analysis (continued)

Financial Review

Financial Policies

The Group has adopted prudent financial policies and exercised tight risk management control over its investment, financing and cash as well as maintaining a sound capital structure. The Group will adjust its investment, financing and capital structure from time to time according to sustainable development and internal resources available, with a view to optimising the capital structure of the Group.

The Group has established a financial settlement centre, which centralises funding for the Company and all of its subsidiaries at the group level. The Board believes that such policy can achieve better control on the treasury operations, minimise financing risks and lower the average cost of funding.

Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People's Bank of China. Such excellent credit rating will benefit the Group's financing activities and allow the Group to continue to enjoy the prime rate offered by the

banks. During the year, the Group maintained most of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 30% (2013: 47%) of the total borrowings. In addition, approximately 20% of the total borrowings (2013: 16%) were jointly guaranteed by the chairman of the Board, Mr. Pang Baogen and the Company to the lending banks. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

The Group's objectives in the management of capital and financial resources are to safeguard the Group's ability to operate as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resources to expand its business. As at 31 December 2014, the Group has unutilized banking facilities amounting to approximately RMB3.5 billion. Details of net cash position are analysed below:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Cash and cash equivalents	2,298,272	2,159,157
Term deposits with initial term of over three months	21,034	–
Restricted bank deposits	212,607	270,015
Less: total borrowings	(1,008,000)	(1,000,388)
Net cash	1,523,913	1,428,784
Total equity attributable to the owners of the Company	5,976,180	5,507,144
Net cash ratio	25.5%	25.9%

Net cash ratio = net cash/total equity attributable to the owners of the Company

Other Key Financial Ratios

	As at 31 December	
	2014	2013
Return on equity	10.9%	12.0%
Net assets value per share (RMB)	9.46	8.31
Current ratio	1.35	1.32

Return on equity = profit attributable to the owners of the Company/total equity attributable to the owners of the Company

Net assets value per share = total equity attributable to the owners of the Company/number of issued shares at the end of the year

Current ratio = current assets/current liabilities

During the year, the return on equity represented a decrease of approximately 9.2% compared to the last year due to a lower profit ratio for the recognized property units, but the net assets value per share still has an increase of approximately 13.8% compared to the last year. As at 31 December 2014, the Group

continued to maintain a net cash position with a net cash ratio of 25.5%, representing a slight decrease compared to a net cash ratio of 25.9% of last year, which was primarily attributable to the increase of total equity attributable to the owners of the Company.

Management Discussion and Analysis (continued)

Cash Flow Analysis

	Note	For the year ended 31 December	
		2014 RMB'000	2013 RMB'000
Cash inflow from operating activities	(i)	406,751	567,771
Cash outflow from investing activities	(ii)	(176,393)	(85,294)
Cash (outflow)/inflow from financing activities	(iii)	(91,243)	64,129
Net increase in cash and cash equivalents		139,115	546,606

Note:

- i During the year, the net cash inflow from operating activities was approximately RMB406,751,000, a decrease of approximately RMB161,020,000 compared to the net cash inflow of approximately RMB567,771,000 of last year, which was mainly due to expenditure paid for the business of properties under development.
- ii During the year, the net cash outflow from investing activities was approximately RMB176,393,000, which was primarily due to the purchase of wealth management products from banks with the Company's unutilized capital.
- iii During the year, the net cash outflow from financing activities is approximately RMB91,243,000, mainly due to the repurchase of H Shares.

Land Appreciation Tax

The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial Reporting and Accounting Standards in accounting for such tax provision, and has also prepaid the land appreciation taxes based on the sale values multiplied by certain assessed rates determined by the respective local tax authorities where the properties are located. For the year ended 31 December 2014, the Group's land appreciation tax amounted to approximately RMB7,906,000, after accounting for the reversal of prior years' provision for land appreciation taxes of approximately RMB78,648,000.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB406,867,000 for the year ended 31 December 2014, representing an increase of 1% compared to approximately RMB403,512,000 for the same period last year. Followed by the business expansion and increase of employees' salaries and benefits, administrative expenses had increased correspondingly during the year.

Finance Costs

During the year of 2014, all interest costs were applied for use in properties development and had been fully capitalised, the Group had no interest costs chargeable to income.

Financial Guarantee

	31 December 2014 RMB'000	31 December 2013 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	85,438	134,037

The Group had issued performance guarantees in respect of mortgage facilities granted by various banks relating to the mortgage loans arranged for certain purchasers of properties developed by the Group. The banks will release such guarantees upon the delivery of the building ownership certificates of such properties to the banks as securities.

Details of the Charges on the Group's Assets

As at 31 December 2014, land use rights, property, plant and equipment and properties under development, investment properties at a total value of approximately RMB921,968,000 (as at 31 December 2013: RMB1,780,782,000) were pledged to banks as security in securing bank borrowings.

Capital Expenditure Plan

The Group adopts a prudent approach in capital expenditure spending to secure cash resources on safety basis. The Group will pay more attention to market changes and will increase its investments in acquisition of land and relevant businesses at appropriate times with reasonable costs.

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group.

CORPORATE GOVERNANCE REPORT





Corporate Governance Report (continued)

The Group is committed to establishing an efficient, orderly and transparent corporate governance mechanism. Since its listing, the Company strives to comply with the Company Law of the PRC (“Company Law”), the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchanges of Hong Kong Limited (“the Stock Exchange”), the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (“CG Code”) and other relevant laws and regulations and will regularly review the corporate management activities to enhance corporate value so as to ensure a sustainable development of the Company and to maximise shareholders’ returns.

Corporate Governance Code

As at the date of this report, the Company has complied with all the code provisions as set out in the CG Code, except for deviation of provisions of the CG Code as mentioned below:

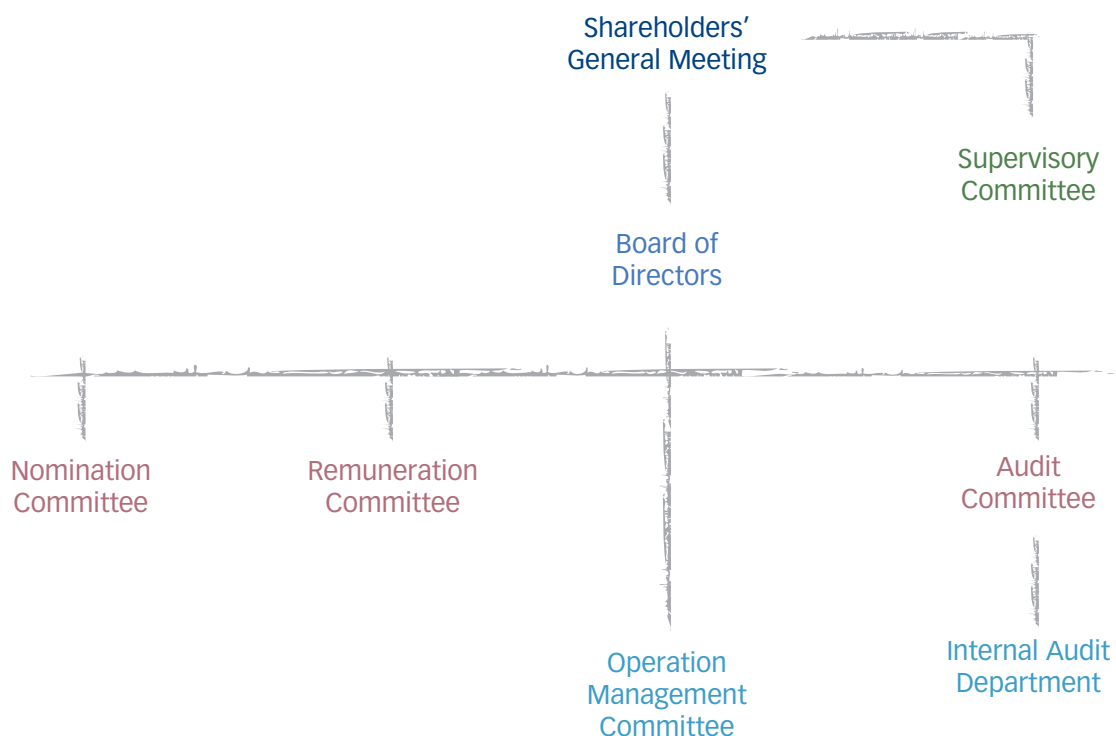
Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company deviates from this provision because Mr. Pang Baogen has been performing both the roles of chairman and chief executive officer. The Group has appointed three general managers to oversee and manage the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has

installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of the Group’s policies efficiently. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board.

Pursuant to Rules 3.10(1) and 3.10A of the Listing Rules, the board of directors of a listed issuer must include at least three independent non-executive directors and the independent non-executive directors of a listed issuer must represent at least one-third of the board of directors. On 2 July 2014, Ms. Jin Juxian resigned as an independent non-executive Director. Since then, the Board only has two independent non executive Directors, and the number of independent non-executive Directors deviated from the requirement under the Listing Rules since on 2 July 2014. On 25 August 2014, the Board appointed two new independent non-executive Directors and since then, the Board consists of five executive Directors, one non-executive Director and three independent non-executive Directors and the Board’s composition has satisfied the requirement under the Listing Rules since 25 August 2014. Please refer to the announcement of the Company dated 25 August 2014 for further details.

The Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

Corporate Governance Structure



Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2014.

Board of Directors Duties of the Board

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment and improving and reviewing the Group's policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive Directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

The Board consists of nine Directors, including five executive Directors, namely, Mr. Pang Baogen (the chairman of the Board), Mr. Gao Lin, Mr. Gao Jiming, Mr. Gao Jun and Mr. Jin Jixiang; one non-executive Director, namely, Mr. Fung Ching, Simon; and three independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis, Mr. Li Wangrong and Ms. Liang Jing. Each of Mr. Fung Ching, Simon and Mr. Chan Yin Ming, Dennis has professional accounting qualifications and possesses a breath of experience in accounting and financial management, Mr. Li Wangrong has rich experience in law and Ms. Liang Jing has rich experience in project management and audit. The diverse composition of the Board brings the Board different views, and also reflects a balance between effectiveness and independence.

Corporate Governance Report (continued)

The Directors may have access to the advice and services of the company secretary of the Company with a view to ensure that the board procedures, and all applicable rules and regulations, are followed. In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company’s expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. Having made specific enquiries with each Director, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2014.

All members of the Board had entered into their service contracts of not more than three years with the Company respectively. According to the Articles of Association of the Company, all Directors are eligible for re-election when their terms of office expired at the annual general meeting of the Company.

Brief biographical details of the Directors are set out on pages 46 to 47 of the annual report.

Board Diversity

The Company adopted the Board Diversity Policy with periodical objectives. The nomination committee of the Company evaluates the balance and blend of skills, experience and diversity of the Board. Selection of candidates will be based on a range of diversified perspectives, including but not limited to age, gender, cultural and educational background, professional and industry experience, skills, knowledge and other qualities essential to the Company’s business and merit and contribution that the selected candidates will bring to the Board. The Company sees that increasing diversity at the Board level would enhance the Board’s effectiveness and corporate governance.

The remunerations of each of the Directors of the Company are disclosed on an individual basis, details of which are set out in note 34 to the consolidated financial statements.

The band of remunerations of senior management personal and related number of members of senior management are as follows:

	2014	2013
	Number of individuals	Number of individuals
Below RMB650,000	5	5

Since its listing, the Company maintained liability insurance for its Directors, Supervisors and senior management each year.

Board Meeting

The Board held a total of four all-members meetings during the year, discussed and approved the 2013 annual report, 2014 interim report and the work report of internal audit department; appointed PricewaterhouseCoopers as the independent auditor. The attendance of each of the Directors is set out in

the table below. The relevant senior management and members of the Supervisory committee of the Group had all attended the board meetings held during the year. Notices of Board meetings are given to the directors within reasonable time. All of the Directors are offered opportunities to suggest any issue for discussion included in meeting agenda. All the minutes of board meetings are filed and accessible to all Directors at any time.

Attendance of Board Meeting in 2014

Name	Attendance/Number of Board meetings
<i>Executive Directors</i>	
Mr. Pang Baogen	4/4
Mr. Gao Lin	4/4
Mr. Gao Jiming	4/4
Mr. Gao Jun	4/4
Mr. Jin Jixiang	4/4
<i>Non-executive Director</i>	
Mr. Fung Ching, Simon	4/4
<i>Independent Non-executive Directors</i>	
Mr. Chan Yin Ming, Dennis	4/4
Mr. Wang Youqing (Mr. Wang resigned as an independent non-executive Director on 25 August 2014)	3/4
Mr. Zhao Rulong (Mr. Zhao was retired as an independent non-executive Director on 14 June 2014)	1/4
Mr. Li Wangrong (Mr. Li was appointed as an independent non-executive Director on 25 August 2014)	2/4
Ms. Liang Jing (Ms. Liang was appointed as an independent non-executive Director on 25 August 2014)	2/4

Independent Non-executive Directors

Mr. Zhao Rulong was retired as an independent non-executive Director; Ms. Jin Juxian was appointed as an independent non-executive Director on 14 June 2014 and resigned as an independent non-executive Director on 2 July 2014; then Mr. Li Wangrong and Ms Liang Jing were appointed as independent non-executive Directors on 25 August 2014 respectively, the Company's number of independent non-executive Directors has complies with the Rule of 3.10(1) of the Listing Rules. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Company considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

Corporate Governance Report (continued)

Directors' Training and Development

Pursuant to the Appendix 14 to the Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The directors' training is a continuous project. The Company invited different professional teams regularly to provide trainings for the Directors about relevant regulations and rules, marketing environment and/or the newest changes of the industry development. During the year ended 31 December 2014, the Company has invited the legal advisers as to Hong Kong law to make the training about the responsibilities and obligations of the company directors for the companies which are listed on the main board of Hong Kong Stock Exchange, the connected transactions memos and a Guide on Directors' Duties. Besides, some Directors also have lessons about Directors' roles, functions and duties, as well as strengthen their professional development by reading some related information or attending professional training sessions on their own. The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code.

Board Committees

The Board has established three board committees, namely, Audit Committee, Nomination Committee and Remuneration Committee to strengthen its functions and corporate governance rules. The Audit Committee, Nomination Committee and Remuneration Committee perform their specific duties in accordance with their respective written terms of reference.

Audit Committee

The audit committee of the Company consists of two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Li Wangrong, and one non-executive Director, Mr. Fung Ching, Simon, with Mr. Chan Yin Ming, Dennis as the chairman of the audit committee.

The terms of reference of the Company's audit committee are formulated in accordance with the Appendix 14 to the Listing Rules and the recommendations in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review and supervise the Group's financial reporting procedures and internal audit scheme formulated by the internal audit department of the Company and review the reports submitted by the internal audit department. It is also responsible for reviewing affairs related to the appointment, resignation and replacement of independent auditors as well as assessing the auditors' performance and whether their audit fees are reasonable, and providing relevant recommendations to the Board. The audit committee has established a whistle blowing policy and system. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange. The audit committee of the Company held three meetings during the year of 2014.

The major tasks accomplished during the year include:

- reviewing the annual and interim results announcement, reports and financial statements of the Group;
- reviewing and providing recommendations on the accounting policies adopted by the Group and the accounting practice issues;
- monitoring the work of the internal audit department of the Group and reviewing the reports submitted by it;
- advising on the material transactions of the Group and providing recommendations on related risks to management;
- reviewing the remuneration and terms of engagement of the external auditor, and recommending the Board on the appointment of the external auditor; and
- reviewing the audit fees of auditors and recommending the fees for approval by the Board.

Attendance of Audit Committee Meeting in 2014

Name	Attendance/Number of Audit Committee meetings
Mr. Chan Yin Ming, Dennis	3/3
Mr. Wang Youqing (Mr. Wang resigned as a member of the audit committee on 25 August 2014)	3/3
Mr. Li Wangrong (Mr. Li was appointed as a member of the audit committee on 25 August 2014)	0/3*
Mr. Fung Ching, Simon	3/3

* During the year of 2014, the audit committee meetings were held on 25 March 2014, 21 July 2014 and 25 August 2014, while Mr. Li Wangrong was appointed as a member of audit committee on 25 August 2014, so he didn't attend the meetings.

Remuneration Committee

The remuneration committee comprises two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Ms. Liang Jing, and one executive Director, namely, Mr. Pang Baogen, with Mr. Chan Yin Ming, Dennis as the chairman of the remuneration committee.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors, Supervisors and senior management of the Company, to review and approval the management's remuneration recommendation according to the Board's policy and target. To take the market forces and comparable industries into

consideration when determining the remuneration packages of the Directors, Supervisors and senior management of the Company. The terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange. The remuneration committee of the Company held one meeting during the year of 2014.

The major tasks accomplished during the year include:

- review the remuneration policy, the terms of service contracts; and
- assessing the performance of all executive directors, supervisors and senior managers.

Attendance of Remuneration Committee Meeting in 2014

Name	Attendance/Number of Remuneration Committee meeting
Mr. Chan Yin Ming, Dennis	1/1
Mr. Zhao Rulong (Mr. Zhao resigned as a member of the remuneration committee on 14 June 2014)	1/1
Ms. Liang Jing (Ms. Liang was appointed as a member of the remuneration committee on 25 August 2014)	0/1*
Mr. Pang Baogen	1/1

* During the year of 2014, the remuneration committee was held on 28 March 2014, while Ms. Liang was appointed as a member of the remuneration committee on 25 August 2014, hence she did not attend the meeting.

Corporate Governance Report (continued)

Nomination Committee

The nomination committee comprises two independent non-executive Directors, namely, Mr. Li Wangrong and Ms. Liang Jing, and one executive Director, namely, Mr. Gao Jiming, with Mr. Li Wangrong as the chairman of the nomination committee.

The main duties of the Nomination Committee are to review the structure, size and composition of the Board of Directors on a regular basis, to make recommendations to the board regarding any proposed changes and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive directors and providing recommendations to the Board of Directors on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and supervisors. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange. The nomination committee held two meetings in 2014.

The major tasks accomplished during the year include:

- reviewing the structure, number of members and composition of the Board and the Supervisory Committee, and providing the Board with recommendations on any intended change;
- identifying appropriate candidates for the position of directors and supervisors, and nominating such persons to be directors and supervisors;
- assessing the independence of the independent non-executive directors; and
- providing recommendation on the plan of the appointment or re-appointment and succession of directors and supervisors to the Board.

Attendance of Nomination Committee Meeting in 2014

Name	Attendance/Number of Nomination Committee meetings
Mr. Wang Youqing (Mr. Wang resigned as a member of the nomination committee on 25 August 2014)	2/2
Mr. Zhao Rulong (Mr. Zhao resigned as a member of the nomination committee on 14 June 2014)	1/2
Mr. Li Wangrong (Mr. Li was appointed as a member of the nomination committee on 25 August 2014)	0/2*
Ms. Liang Jing (Ms. Liang was appointed as a member of the nomination committee on 25 August 2014)	0/2*
Mr. Gao Jiming	2/2

* During the year of 2014, the nomination committee meetings were held on 28 March 2014 and 25 August 2014, while Mr. Li Wangrong and Ms. Liang Jing were appointed as members of nomination committee of the Company on 25 August 2014, hence they did not attend the meetings.

The Board adopted a “Procedure and Criteria for Nomination of Directors”, the details of which are set out below:

Procedure for Nomination of Directors

- When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director);
- Prepare a description of the role and capabilities required for the particular vacancy;
- Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors;
- Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview;
- Conduct verification on information provided by the candidate; and
- Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

Criteria for Nomination of Directors

Common Criteria for All Directors

- Character and integrity;
- The willingness to assume broad fiduciary responsibility;
- Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs;

- Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company;
- Significant business or public experience relevant and beneficial to the Board and the Company;
- Breadth of knowledge about issues affecting the Company;
- Ability to objectively analyse complex business problems and exercise sound business judgment;
- Ability and willingness to contribute special competencies to Board activities; and
- Fit with the Company’s culture.

Criteria Applicable to Independent Non-executive Directors

- Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings;
- Accomplishments of the candidate in his/her field;
- Outstanding professional and personal reputation; and
- The candidate’s ability to meet the independence criteria for directors established in the Listing Rules.

Corporate Governance Report (continued)

Directors Responsibility on the Financial Statements

The Directors of the Company acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2014, which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibilities of the external auditors on the financial statements are set out in the Independent Auditor's Report on pages 59 to 60 of the annual report.

Corporate Governance Functions

The Board is responsible for the corporate governance functions with the following duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to Directors and employees;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

Company Secretary

Ms. Ngan Lin Chun, Esther resigned as the company secretary of the Company on 31 December 2014 and Mr. Chow Chan Lum was appointed as the company secretary. Mr. Chow has been a member of the Institute of Chartered Accountants of Scotland and is also a member of the Hong Kong Institute of Certified Public Accountants, which fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an external employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. During the period, the Company learns the company secretary has attained not less than 15 hours of relevant professional training.

Shareholders' General Meeting

The shareholders' general meeting of the Company not only makes important and key decisions, but also serves as a direct communication platform for its Directors, management and shareholders. In this respect, notice of shareholders' general meeting stating the particulars of the matters to be discussed, procedures of voting by poll, shareholders' voting rights, will be circulated to shareholders 20 clear business days before the date of shareholders' general meeting according to the Listing Rules. During the period under review, the Group hold one annual general meeting, one domestic shareholders' meeting and one H shareholders' meeting, the details as follows:

Attendance of Shareholders' General Meeting and Class Meetings in 2014

Name	Attendance/Number of shareholders' general meeting and class meetings
<i>Executive Directors</i>	
Mr. Pang Baogen	3/3
Mr. Gao Lin	3/3
Mr. Gao Jiming	3/3
Mr. Gao Jun	3/3
Mr. Jin Jixiang	3/3
<i>Non-executive Director</i>	
Mr. Fung Ching, Simon	3/3
<i>Independent Non-executive Directors</i>	
Mr. Chan Yin Ming, Dennis	3/3
Mr. Wang Youqing (Mr. Wang resigned as an independent non-executive Director on 25 August 2014)	3/3
Mr. Zhao Rulong (Mr. Zhao was retired as an independent non-executive Director on 14 June 2014)	3/3
Mr. Li Wangrong (Mr. Li was appointed as an independent non-executive Director on 25 August 2014)	0/3*
Ms. Liang Jing (Ms. Liang was appointed as an independent non-executive Director on 25 August 2014)	0/3*

* During the year of 2014, the AGM and class meetings were held on 14 June 2014, while Mr. Li Wangrong and Ms. Liang Jing were appointed as independent non-executive directors on 25 August 2014 respectively, hence neither of them attended the AGM and class meetings.

Shareholders' Rights

In accordance with Article 87 of Article of Association, a shareholder holding individually or shareholders holding collectively in aggregate 10% (including 10%) or more of the shares carrying the voting right at the meeting sought to be held shall have the right to require the board to convene an extraordinary general meeting or a class meeting. The board shall as soon as possible proceed to convene the extraordinary general meeting or a class meeting after receiving the requisition. If the board does not serve the notice of the convening a meeting after 30 days of receiving the written requests aforesaid, such shareholders may convene such a meeting in a manner as similar as possible as that in which shareholders' meeting are to be convened by the board within four months from the date of receipt of

the requisition by the board. Any reasonable expenses incurred by the requisitioners by reason of the failure of the board to duly convene a meeting shall be repaid to the shareholders by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

Subject to applicable laws and regulations, including the Company Law of the People's Republic of China, the Listing Rules and the Articles of Association of the Company as amended from time to time, the Company may in general meeting by ordinary resolution elect any person to be a director of the Company either to fill a casual vacancy or as an additional director.

Corporate Governance Report (continued)

A shareholder of the Company can deposit a written notice at the correspondence address in Hong Kong of the Company for the attention of the company secretary for proposing a person for election as director. The written notice must state the full name of the person proposed for election as director and include such person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and the written notice signed by the candidate proposed to be elected as director indicating his/her willingness to be elected. The period for lodgment of such a written notice shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting for election of directors and ending no later than seven days prior to the date of such meeting.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company secretary of the Company, may also make enquiries with the Board at the general meetings of the Company.

The correspondence address of the Company in Hong Kong is as follows:

Room 1902, Mass Mutual Tower
38 Gloucester Road, Wanchai, Hong Kong

The headquarter address of the Company is as follows:

No.501 Shanyin West Road, Keqiao District
Shaoxing City, Zhejiang Province
The PRC

Controls Mechanism Supervisory Committee

The Supervisory Committee is the standing supervisory organisation of the Company, which is responsible for supervising the functions of the Board and its members and the senior management such as the general manager and deputy general managers. The Supervisory Committee comprises five supervisors, who will serve for a term of three years and are eligible for re-election. The number of members and composition of the Supervisory Committee of the Company comply with the requirements of the relevant laws and regulations.

Mr. Qian Yongjiang and Mr. Yuan Ajin retired as the Supervisors, Mr. Wang Jianguo and Mr. Xugang were appointed as the Supervisors at the annual general meeting held on 14 June 2014. Besides, Mr. Li Yongsheng resigned as an independent supervisor on 25 August 2014 and Mr. Xiao Jianmu was appointed as an independent supervisor on 25 August 2014. As at the date of this report, the Supervisory Committee comprises Mr. Kong Xiangquan (chairman of the Supervisory Committee), Mr. Wang Jianguo and Mr. Xugang, and independent Supervisors, Mr. Zhang Xindao and Mr. Xiao Jianmu. The Supervisory Committee is accountable to the shareholders meeting and exercises the following authority in accordance with the applicable laws.

- examining the financial statements of the Company;
- supervising the directors, general manager, deputy general managers and other senior management in the performance of their duties to prevent them from breaching the laws, administrative regulations or the Company's articles of association;
- requiring the directors, general manager, deputy general managers and other senior management to rectify behaviors which will prejudice the interests of the Company;
- verifying the financial information, such as financial reports and profit appropriation proposals, which intended to be submitted to the shareholders' general meeting by the Board and appointing certified public accountants and auditors in the name of the Company to assist in re-auditing whenever the committee is in doubt with these information;
- proposing to convene extraordinary general meeting; and
- negotiating with or initiating litigations against directors on behalf of the Company.

The Supervisory Committee convened two meetings during the year and all of the existing Supervisors attended the meetings. The Supervisory Committee has also attended the board meetings held in the year of 2014. The Supervisory Committee has also adopted the Model Code as its own code of conduct regarding the securities transactions by the Supervisors. Having made specific enquiries with each Supervisor, all Supervisors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2014.

Internal Audit

The Company has established an internal audit department. The internal audit department is independent from the finance department or other management departments. It reports directly to the Board and audit committee. The primary duties of the internal audit department are to monitor and review the effectiveness of the operation of the financial, operational and compliance control as well as risk management systems of the Company and its subsidiaries. During the year, it has reviewed, monitored, and submitted reports on review and approval system for use of capital, financial budgeting system, system governing signing of contracts and bidding budget; and final settlement and control system according to the internal audit plans.

Social Responsibility

The Group reckons that a good and successful corporate development cannot be sustained without the support of social development. The Group insists on exploring markets to get development and to feedback to the society when in phase of stable development, and it never forgets its core corporate culture "corporate, market and society" to participate in charity, public interest and subsidized education, caring for social vulnerable group, supporting the nation's sustainable development and advocating green construction.

Environmental protection and energy saving have always been assumed as the Group's social responsibilities. In 2014, Zhejiang Provincial Government planned to

close down the worn out production facilities, speeded up the use of excessive products and accelerated the transformation of social production model by emerging a total of five water treatments (polluted water treatment, flood treatment, drain treatment, water supply treatment and water saving treatment) methodologies to facilitate these enhancement. The Group supported this five water treatments policy because a sustainable social development relies on these fundamental development principles. Moreover, the Group has conducted extensive research in the housing industrialization, all of which have features in the areas of energy-saving, water-saving, building materials-saving and environmentally-friendly products. The Group not only promotes the new green technology housing, but also advocates a low-carbon green lifestyle. The Group has held promotional activities to spread the idea of environment protection, and to call for support from more people to care for our earth in 2014.

In 2014, "Hefei Baoye Fund" held a charitable activity with Hefei Charity Association for the second time, and donated a total of RMB450,000 to 150 impoverished persons. Baoye Hubei Construction Group, as one of the donors of "Jinfeng Project", the first charitable project of Hubei Province Women and Children Development Fund, has donated a total of RMB840,000 to college girls from the impoverish families in successive three years, aiming to help them to finish schooling and realize their dreams.

During the year, the Group provided specific purpose professional trainings for different positions, such as salesmen training and HR training, so as to improve the employees' professional knowledge, abilities and management levels, thus making a contribution to the Company's future development.

In 2014, the Group was honored with "Fan Li Prize" by Shaoxing Government for its contribution of development model transformation and industrial restructuring, which is the highest honor for enterprises in Shaoxing City.

Investor Relations

The Company believed that it is very important to disclose accurate information timely and effectively for building confidence in the investment community, so the Company has maintained good relations and communication with investors actively. In order to obtain more information from its investors and the potential investors, the Company has investor relations department, endeavoring to interact with its shareholders, investors, analysts, investment banks and financial medias and releasing the latest announcement, circular, interim report and annual report, as well as the Company's newsletters.

Substantial Shareholders of H Shares

As at 31 December 2014, so far as was known to the Directors, the following persons, other than Directors, Supervisors and senior management of the Company, have an interest in the shares of the Company as recorded in the register required to be kept under the Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Number of H Shares of the Company Held (Long Position)	Approximate Percentage of the Total Issued H Shares of the Company	Approximate Percentage of the Total Registered Share Capital of the Company
Zhu Yicai	28,432,000	10.12%	4.50%
Citigroup Inc.	27,455,396	9.77%	4.35%
Norges Bank	20,936,000	7.45%	3.31%
First Beijing Investment (Cayman) Limited	16,868,000	6.00%	2.67%
Top Easy Holdings Limited	16,086,000	5.72%	2.55%

Important Financial Dates

Events	Date
Issued Interim Results Announcement of 2014	On 25 August 2014
Issued Annual Results Announcement of 2014	On 27 March 2015
Closure of register of members of the Company	On 19 May 2015 to 19 June 2015 (both days inclusive) On 23 June 2015 to 3 July 2015 (both days inclusive)
Annual General Meeting of 2014	On 19 June 2015
Class meeting for holders of H Shares	On 19 June 2015
Class meeting for holders of Domestic Shares	On 19 June 2015
Payment date of the final dividend of 2014	On 22 July 2015

The last shareholders' general meeting (the "AGM") was held at 2nd Floor, Baoye Group, No.501 Shanyin West Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC on 14 June 2014. All the resolutions were passed by the shareholders in voting. The details of the resolutions and results please refer to the results of AGM on 14 June 2014. All the Directors attended this AGM.

Articles of Association

In light of the amendments to the Company Law of the PRC which took effect on 1 March 2014, and after taking into consideration of the actual situation and the practice of corporate governance of the Company, the Board proposed to amend the article of association and to adapt the new Article to, among other things, align it with the relevant regulations, enhance the corporate governance of the Company and improve the management of operations at the Board meeting held on 28 March 2014. The consolidated conformed version of new Articles of Association was approved and adopted by shareholders at the annual general meeting on 14 June 2014. An updated consolidated version of the New Articles of Association of the Company is available on the websites of the Company and the Stock Exchange.

Biographical Details of Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Pang Baogen, born in 1957, is the founder, chairman of the Board and chief executive officer of the Group. He has been the Chairman of the Board since 2002 and the Chief executive officer of the Group since 2002. Mr. Pang is one of the experts who has received the special award of the State Council and is a member of the expert committee for the China Construction Reform and Development under the Ministry of Housing and Urban-Rural Development of the People's Republic of China. He holds a professor level senior engineer qualification. He is well respected and recognised in the construction industry in China and has received awards including Model Worker of National Construction System, Advanced Individual of National Sustainable Communities, Outstanding Entrepreneur in Zhejiang Province, Youth Scientific and Technical Worker with Outstanding Contributions to Zhejiang Province, Entrepreneur with Outstanding Contributions to the Construction Industry in Zhejiang Province in the "Eleventh Five-year" Period, Award of Commercialization of Science in Zhejiang Province as well as Zhejiang Charity Award and Zhejiang Charity Star. Mr. Pang has extensive experience in the construction technology field and enterprise management. He actively promotes independence and innovation, and takes on national topics such as "risk-prevention in big projects", "transforming the construction industry with information technology" and "the system research of one-hundred-year construction in China" and the "Analysis of Comprehensive Efficiency of Housing Industrialization". At the same time, he guides the Group in undergoing various revolutions in management controls and operation mechanism. He also explores and executes the "three-in-one" business model and the contractual management model. Besides, Mr. Pang is also the vice-chairman of the Construction Companies Committee in China, vice-chairman of Housing Industrialization Technology Innovation Association in China, the vice-chairman of Construction Association and Agricultural Technology Promotion Foundation in Zhejiang Province, representative of the 12th People's Representative Congress of Zhejiang Province and the director of the Institute of Construction and Housing Industrialisation of National Construction Engineering Technology Research Center.

Mr. Gao Lin, born in 1970, is an executive Director and the director of the operation management committee of the Company, and the general manager of Baoye Hubei Construction Group Company Limited. Mr. Gao holds a professor level senior engineer qualification and is a graduate of the Fudan EMBA Programme. He is also a senior professional manager of the construction industry in China. He was awarded a celebrity in the national important infrastructure construction and a celebrity of the 9th (2010) Hubei Economic Year, the National Excellent Construction Entrepreneur, apprentice of Luban, the Top 10 Outstanding Entrepreneurs of Construction Industry in Zhejiang Province, Outstanding Entrepreneur in Hubei Province, Model Worker of Hubei Province, Outstanding Youth in Hubei Province, Talent for Economic Development of Shaoxing City, Model Worker of Shaoxing City. He is currently the vice chairman of the Hubei Enterprises Union, the vice chairman of the Federation of Industry and Commerce in Hubei Province and vice-chairman of Construction Industry Association in Hubei, the vice chairman of the Youth Union of the Direct Departments of Hubei Province, and representative of the 14th People's Representative Congress of Wuchang District, Wuhan City. He joined the Group in 1987.

Mr. Gao Jiming, born in 1962, is an executive Director of the Company and the chairman and general manager of Hubei Construction Real Estate Development Company, a subsidiary of Baoye Hubei Construction Group Company Limited. Mr. Gao is a graduate of the China University of Geosciences, majoring in civil engineering and holds a professor level senior engineer qualification. He is the vice-chairman of the Real Estate Association of Keiqao District, Shaoxing City. He joined the Group in 1978.

Mr. Gao Jun, born in 1972, is an executive Director and a member of the operation management committee of the Company, and the general manager of Baoye Group Anhui Company Limited. Mr. Gao graduated from the China University of Geosciences, majoring in civil engineering, and holds a professor level senior engineer qualification. Mr. Gao is currently a representative of the 15th People's Representative Congress of Hefei City, the chairman of Supervisory Committee and executive chairman of Zhejiang Enterprises Union in Anhui, vice chairman of the Anhui Journalist Union and Hefei Industrial and Commercial Chamber, he was awarded the Model Worker of Hefei City. He joined the Group in 1989.

Mr. Jin Jixiang, born in 1967, is an executive Director and a member of the operation management committee of the Company, and a director and the general manager of Zhejiang Baoye Construction Group Company Limited. Mr. Jin graduated from the China University of Geosciences, majoring in civil engineering and holds a professor level senior engineer qualification. He was awarded the National Excellent Decoration Entrepreneur, Outstanding Construction Entrepreneur in Zhejiang Province, National Excellent Construction Entrepreneur, a senior professional manager of the construction industry in China, Top 10 Outstanding Entrepreneurs of Construction in Zhejiang, Model Worker of Shaoxing City, Talent with great contribution to the development of Shaoxing City and the Advanced Productivity Worker of Shaoxing City. Mr. Jin joined the Group in 1985.

Non-executive Directors

Mr. Fung Ching, Simon, born in 1969, is a non-executive Director and a member of audit committee of the Company and is currently the chief financial officer and the company secretary of Greentown China Holdings Limited, a company listed on the main board of the Stock Exchange and an independent non-executive director of Hainan Meilan International Airport Company Limited, a company listed on the main board of The Stock Exchange. Mr. Fung graduated from the Queensland University of Technology in Australia with a Bachelor's degree, majoring in accountancy. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the CPA Australia. Mr. Fung served as the chief financial officer and secretary to the board of Directors of Baoye Group between 2004 and 2010, and he worked in PricewaterhouseCoopers between 1994 and 2004.

Independent Non-executive Directors

Mr. Chan Yin Ming, Dennis, born in 1954, a Canadian living in Hong Kong, is an independent non-executive Director, chairman of audit committee and remuneration committee of the Company. Mr. Chan is a graduate of the John Molson School of Business of Concordia University, Canada and has obtained a professional diploma in accountancy from the McGill University, Canada. Mr. Chan is an associate member of the Chartered Institute of Management Accountants, United Kingdom (ACMA), an associate member of the Institute of Chartered Secretaries and Administrators, United Kingdom (ACIS), a member of Chartered Institute of Purchasing and Supply, United Kingdom (MCIPS) and a member of Canadian Institute of Chartered Accountants (CA). Mr. Chan is currently director and chief executive officer of Standard Corporate Advisory Limited. Prior to that, Mr. Chan had been director and chief financial officer of various listed companies in Hong Kong, Singapore and the United States of America. Mr. Chan has more than 38 years of experience in public accountancy, management consultancy, manufacturing, distribution and retails, telecommunications, logistics and financial services. He joined the Group in 2004.

Mr. Li Wangrong, born in 1963, graduated from the Law School of Zhejiang University and holds a master degree. Mr. Li is currently the principal partner of Zhejiang Dagong & Partners and the first-grade solicitor. Mr. Li is also the independent director of Sanbian Sci-Tech Co., Ltd., a listed company in Shenzhen Stock Exchange. Mr. Li has rich experience in arbitration, property development, contract law, civil and commercial cases. He joined the Group in 2014.

Ms. Liang Jing, born in 1953, graduated from Jiangxi Metallurgy College, majoring in mechanical engineering and holds senior level engineer qualification. Ms. Liang worked for Shaoxing Lizhu Iron Mining Company, Shaoxing Property Development Company and Shaoxing Tianying Tax Agent Company. Ms. Liang has retired from her profession. She joined the Group in 2014.

Supervisors

Mr. Kong Xiangquan, born in 1958, a qualified senior engineer, is the general manager of the Zhejiang Baoye Communications Construction Company Limited. He joined the Group in 1975.

Mr. Wang Jianguo, born in 1966, a qualified senior engineer, is currently the chairman and general manager of Zhejiang Baoye Curtain Wall Decoration Company Limited. He is also a deputy director and member of the curtain wall committee of China Construction Decoration Association and vice chairman of Zhejiang Construction Decoration Association. He was awarded the National Outstanding Entrepreneur of Construction Decoration Industry. Mr. Wang joined the Group in 1986.

Biographical Details of Directors, Supervisors and Senior Management (continued)

Mr. Xu Gang, born in 1976, is a deputy general manager of Zhejiang Baoye Construction Group Company Limited. Mr. Xu graduated from the China University of Geosciences, majoring in civil engineering, and holds a First Grade Registered Architect and senior engineer qualification. Mr. Xu was awarded the Top 10 Young Entrepreneurs of Construction Industry in Zhejiang, Model Worker of the Construction Industry in Shaoxing City, the Outstanding Entrepreneurs of Construction Industry in Jiangsu Province. Mr. Xu joined the Group in 1998.

Independent Superiors

Mr. Zhang Xindao, born in 1944, is an independent Supervisor of the Company. Mr. Zhang graduated from the East-South University and holds a senior engineer qualification. He was preciously the deputy director of Shaoxing City Electric Power Bureau, general manager of Shaoxing Daming Industry Company, chairman of Shaoxing Daming Electricity Company and chairman of Zhuji Bafang Electricity Company. Mr. Zhang is the general manager of Shaoxing Tianyi Green Power Company Limited. He joined the Group in 2005.

Mr. Xiao Jianmu, born in 1967, graduated from Zhejiang Forestry College, holds the qualifications of economist, Certified Public Accountant, Certified Tax Agent, Certified Public Valuer, Real Estate Appraiser and was awarded Zhejiang Excellent Certified Public Accountant. Mr. Xiao served in construction department of Shaoxing Huaxia Company and Shaoxing Gongxiao Building Company Limited. Mr. Xiao is now the vice director of Zhejiang Zhongxing Certified Public Accountants. He joined the Group in 2014.

Senior Management

Mr. Wang Rongfu, born in 1954, is the chairman of Zhejiang Baoye Construction Group Company Limited. Mr. Wang holds a professor level senior engineer qualification. He was awarded the National Outstanding Construction Project Manager, National Outstanding Construction Entrepreneur, Outstanding Construction Company Manager of Zhejiang, Top 10 Outstanding Entrepreneurs of Construction in Zhejiang, Model Worker of Shaoxing City, Talent with great contribution to the development of Shaoxing City. He also has been appointed the lead member of the onsite inspection of the premier national construction projects. He joined the Group in 1975.

Mr. Wang Rongbiao, born in 1968, is the main member of operation management committee and the chairman and the general manager of Zhejiang Baoye Building Materials Industrialisation Company Limited. Mr. Wang graduated from Wuhan Science and Technology University, majoring in civil engineering, and holds a senior engineer qualification. Mr. Wang joined the Group in 1986.

Mr. Lou Zhonghua, born in 1968, is a member of the operation management committee of the Company, and a director and the general manager of Zhejiang Baoye Real Estate Group Company Limited. Mr. Lou graduated from the China University of Geosciences, majoring in civil engineering and holds a senior engineer qualification. He is currently the representative of the 13th Party Congress of Shaoxing County and vice-chairman of the Real Estate Association of Shaoxing City. Mr. Lou joined the Group in 1986.

Mr. Sun Guofan, born in 1962, is the chief economist of the Company. Mr. Sun graduated from the Hangzhou College of Commerce, majoring in finance and accounting, and is qualified as an accountant and senior economist in the PRC. He joined the Group in 1988.

Mr. Jiang Xiaohua, born in 1970, is the chief accountant of the Company. Mr. Jiang graduated from Jiangxi University of Finance and Economics in 1993, majoring in finance and taxation. He graduated from Zhejiang University and obtained the master degree in 2003. Mr. Jiang holds a professor level senior accountant certification and was awarded as one of the National Accounting Leading Talents. He was previously the Inspection officer of Finance and Taxation Bureau of Shaoxing County and the Chief Financial Officer of Tianlong Group Company Limited. Mr. Jiang joined the Group in 2004.

Directors' Report

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2014.

Principal Activities

The principal activities of the Group are the provision of construction service, development and sale of properties and manufacture and distribution of industrialised building materials. The activities of the Company's principal subsidiaries are set out in note 10 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Financial Positions and Results

The financial positions of the Group and the Company as at 31 December 2014 are set out in the balance sheets of the consolidated financial statements prepared in accordance with HKFRS on pages 61 to 62.

The results of the Group for the year ended 31 December 2014 prepared in accordance with HKFRS are set out in the consolidated income statement on page 63.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6 of the annual report.

Reserves

Details of movements in reserves of the Group and the Company during the year are set out in the note 24 to the consolidated financial statements.

Distributable Reserves

According to the relevant laws and regulations in the PRC, the reserves of the Company available for distribution to the equity holders amounted to RMB304,479,000 as at 31 December 2014 (2013: RMB389,292,000).

Dividends

At the board meeting held on 27 March, 2015, the Board proposed a final dividend of RMB0.10 (2013: RMB0.10) per ordinary share for the year ended 31 December 2014.

Segment Information

The Group is principally engaged in the following three main operation segments:

- Construction – provision of construction service
- Property development – development and sale of properties
- Building materials – manufacture and distribution of industrialised building materials

The segment information for the year ended 31 December 2014 is set out in note 5 to the consolidated financial statements.

Directors' Report (continued)

Major Customers and Suppliers

During the year, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's aggregate revenue and purchases respectively.

None of the Directors, their close associates or any shareholders (which, to the knowledge of the Directors, own more than 5% interests of the Company's share capital) had any interest in the above major suppliers or customers.

Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in note 7 to the consolidated financial statements.

Directors and Supervisors

The Directors and Supervisors of the Company for 2014 are as follows:

Directors

Executive Directors

Mr. Pang Baogen (*Chairman of the Board*)

Mr. Gao Lin

Mr. Gao Jiming

Mr. Gao Jun

Mr. Jin Jixiang

Non-executive Director

Mr. Fung Ching, Simon

Independent Non-executive Directors

Mr. Chan Yin Ming, Dennis

Mr. Wang Youqing (Mr. Wang resigned as an independent non-executive Director on 25 August 2014)

Mr. Zhao Rulong (Mr. Zhao was retired as an independent non-executive Director on 14 June 2014)

Ms. Jin Juxian (Ms. Jin was appointed as an independent non-executive Director on 14 June 2014 and resigned on 2 July 2014)

Mr. Li Wangrong (Mr. Li was appointed as an independent non-executive Director on 25 August 2014)

Ms. Liang Jing (Ms. Liang was appointed as an independent non-executive Director on 25 August 2014)

Supervisors

Supervisors

Mr. Kong Xiangquan (*Chairman of the Supervisory Committee*)

Mr. Qian Yongjiang (Mr. Qian was retired as a Supervisor on 14 June 2014)

Mr. Yuan Ajin (Mr. Yuan was retired as a Supervisor on 14 June 2014)

Mr. Wang Jianguo (Mr. Wang was appointed as a Supervisor on 14 June 2014)

Mr. Xu Gang (Mr. Xu was appointed as a Supervisor on 14 June 2014)

Independent Supervisors

Mr. Li Yongsheng (Mr. Li resigned as an independent supervisor on 25 August 2014)

Mr. Zhang Xindao

Mr. Xiao Jianmu (Mr. Xiao was appointed as an independent supervisor on 25 August 2014)

Changes of Directors, Supervisors and Senior Management

Mr. Zhao Rulong was retired as an independent non-executive Director on 14 June 2014, Ms. Jin Juxian was appointed as an independent non-executive Director on 14 June 2014 and resigned on 2 July 2014; Mr. Wang Youqing resigned as an independent non-executive Director on 25 August 2014, then Mr. Li Wangrong and Ms. Liang Jing were appointed as independent non-executive Directors on 25 August 2014. Furthermore, Mr. Qian Yongjiang and Mr. Yuan Ajin were retired as Supervisors; Mr. Wang Jianguo and Mr. Xu Gang were respectively appointed as Supervisors; Mr. Li Yongsheng resigned as independent supervisor on 25 August 2014, Mr. Xiao Jianmu was appointed as independent supervisor on 25 August 2014.

Biographical Details of Directors, Supervisors and Senior Management

Brief biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 47 to 50 of the annual report.

Remuneration of Directors

The remuneration of the Directors of the Company is disclosed on an individual named basis in note 34 to the consolidated financial statements.

Highest Paid Individuals

During the year, the relevant information of the five individuals with the highest remuneration of the Group is disclosed in note 34(c) to the consolidated financial statements.

Independence of Independent Non-executive Directors

The Board has obtained written confirmations from all independent non-executive Directors concerning their independence in accordance with Rule 3.13 of the Listing Rules. The Board is in the opinion that the existing independent non-executive Directors are independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

Directors' Report (continued)

Interests of Directors, Supervisors, Chief Executive and Senior Management

As at 31 December 2014, the interests and short positions of Directors, Supervisors, chief executive and senior management of the Company and any of the associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO"), which are required to be (i) notified to the Company and HKEx pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and HKEx pursuant to the Model Code, were as follows:

Directors/ Supervisors/Senior Management	Relevant Entity	Capacity	Number of Domestic Shares (Long position)	Number of H Shares (Long position)	Approximate Percentage of the Total Registered Capital of the Relevant Entity
Directors					
Mr. Pang Baogen	The Company	Individual	198,753,054	–	31.46%
Mr. Pang Baogen	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	361,244	–	0.71%
Mr. Gao Jiming	The Company	Individual	12,674,647	–	2.01%
Mr. Gao Jiming	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	180,622	–	0.36%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.51%
Mr. Gao Lin	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Gao Jun	The Company	Individual	5,794,259	–	0.92%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.39%
Supervisors					
Mr. Wang Jianguo	The Company	Individual	5,250,290	–	0.83%
Mr. Wang Jianguo	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	2,424,288	–	4.77%
Senior Management					
Mr. Sun Guofan	The Company	Individual	11,705,283	–	1.85%
Mr. Wang Rongfu	The Company	Individual	7,147,039	–	1.13%
Mr. Wang Rongfu	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Lou Zhonghua	The Company	Individual	4,533,172	–	0.72%
Mr. Lou Zhonghua	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Wang Rongbiao	The Company	Individual	2,647,911	–	0.42%

Directors' and Supervisors' Service Contracts

At the 2013 annual general meeting held on 14 June 2014, all appointed Directors and Supervisors signed their respective new service contracts or appointment letters with the Company, the term of which will expire at the conclusion of the annual general meeting of 2016 of the Company. The Company has not signed any service contract, with any Director or Supervisor, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' and Supervisors' Interests in Contracts

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which the Directors or the Supervisors of the Company have material interests, whether directly or indirectly, subsisted at any time during the year (excluding Directors' and Supervisors' service contracts mentioned above).

Directors' and Supervisors' Rights to Acquire Shares or Debentures

At no time during the year did the Company or any its subsidiaries make any arrangement to enable the Directors, the Supervisors and their respective spouses or children under 18 years of age to benefit from acquisition of the shares, or debentures of the Company or any other corporation.

Interests of Directors in Competing Business

During the year and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group under the Listing Rules.

Details of Share Offering and Placing

	Initial Public Offering	The 1st placement of H shares	The 2nd placement of H shares	The 3rd placement of H shares
Class of shares listed	H share	H share	H share	H share
Listing place	Main Board of HKEx.	Main Board of HKEx.	Main Board of HKEx.	Main Board of HKEx.
Offering/placing price	HK\$1.43 per H share	HK\$4.05 per H share	HK\$4.85 per H share	HK\$10.88 per H share
Listing date	30 June 2003	21 January 2005	14 December 2005	2 February 2007
Number of issued H shares	180,684,000	36,136,800	43,364,160	52,036,992

Directors' Report (continued)

Funds Raised and Dividend

Year	Raised Funds (HKD)	Dividend (RMB/share)	Total Dividend (RMB)	Full-Year Earnings (RMB)	Approximate Percentage of Full-year Earnings (%)
2003	258,370,000	0.0635	33,746,000	112,409,000	30%
2004	/	0.1436	81,502,000	275,082,000	30%
2005	356,660,000	0.12	73,311,000	304,226,000	24%
2006	/	0.07	46,407,000	474,032,000	10%
2007	566,160,000	0.07	46,407,000	225,795,000	21%
2008	/	0.08	53,037,000	150,044,000	35%
2009	/	0.13	86,185,000	502,239,000	17%
2010	/	0.16	106,074,240	527,875,000	20%
2011	/	0.21	139,222,000	710,196,000	20%
2012	/	0.21	139,222,000	752,256,000	18.5%
2013	/	0.10	66,296,401	663,213,000	10%
2014	/	0.10	63,174,401	648,702,000	9.7%
Total	1,181,190,000		1,531,251,642		

Share Capital

As at 31 December 2014, there was a total share capital of 631,744,005 shares of the Company in issue, which includes:

	Number of shares	Approximate percentage of total share capital
Domestic Shares	350,742,053	55.52%
H Shares	281,001,952	44.48%
Total	631,744,005	100%

Purchase, Sale or Redemption of Shares of the Company

During the year, the Company has repurchased H Shares for 14 times in aggregate of 31,220,000 H Shares, representing 10% and 4.71% of the total number of H Shares and total number of issued Shares of the Company respectively. The total amount paid was HK\$151,070,240 (excluding transaction charges). Details of which was set out in the announcement in relation to the completion of repurchase of H shares on 22 May 2014 as published on the website of the Stock Exchange.

Public Float

Based on the information that is publicly available to the Company and to the knowledge of its Directors, as at the date of this report, there is sufficient public float as required under the Listing Rules.

Connected Transactions

During the year of 2014, the Group had no connected transaction that would require disclosure under the Listing Rules.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the articles of association of the Company and related laws of Hong Kong and the People's Republic of China (the "PRC"), which would oblige the Company to offer new shares on pro-rata basis to the existing shareholders of the Company.

Litigation and Arbitration

As at the date of this report, the Group had no material litigation and arbitration.

Entrusted Deposits and Overdue Time Deposits

As at the date of this report, the Group did not have any entrusted deposits placed with financial institutions in the PRC. All of the Group's cash and cash equivalents were deposited in commercial banks in accordance with the applicable laws and regulations. The Group had no bank deposits which cannot be withdrawn upon maturity.

Human Resources

As at 31 December 2014, the Group had a total of 3,949 permanent employees (as at 31 December 2013: 3,671). Also, there were approximately 74,735 indirectly employed construction site workers (as at 31 December 2013: 74,318). These workers were not directly employed by the Group. For the year ended 31 December 2014, the total employee benefit expenses amounted to approximately RMB4,230,264,000. Employee benefit expenses include salaries, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Board is continuously working on devising, revising and implementing a more effective employee incentive plan and training plan to encourage superior performance of employees to fit into the Group's long term development plan.

Directors' Report (continued)

Model Code for Securities Transactions by Directors and Supervisors

The Board and the Supervisory Committee have adopted the Model Code as its own code of conduct for securities transactions by the Directors and Supervisors. Specific enquiries have been made by the Company and all the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the year of 2014. If any related employees possess information which may be considered as sensitive to the Company's share price and such information is not public, such employee has to comply with the written guidelines, which is as strict as the Model Code.

Code on Corporate Governance Practices

The Group has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period, except that the role of the chief executive officer of the Group has been assumed by Mr. Pang Baogen, Chairman of the Board and during the period from 2 July 2014 to 25 August 2014, the Board has only two independent non-executive Directors, which deviated from the requirement under the Listing Rules. For further details, please refer to the Corporate Governance Report as set out in this annual report.

Auditors

The re-appointment of PricewaterhouseCoopers (the "PwC Hong Kong") as the Company's international auditor and the re-appointment of PricewaterhouseCoopers Zhong Tian Certified Public Accountants (LLP) (the "PwC ZT") as the Company's PRC statutory auditor were approved at the annual general meeting held on 14 June 2014.

The remuneration of the auditors in the year 2014 is set out as follows:

	2014		2013	
	Audit fees RMB'000	Other fees RMB'000	Audit fees RMB'000	Other fees RMB'000
PwC Hong Kong	3,280	–	3,250	–
PwC ZT	400	–	400	–

The Company will propose a resolution at the coming annual general meeting to re-appoint the PwC Hong Kong as the Company's international auditor and to re-appoint the PwC ZT as the Company's PRC statutory auditor.

Closure of Register of Members

The register of members of the Company will be closed from 19 May 2015 to 19 June 2015, both dates inclusive, during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares), or to the Company's office address at No. 501 Shanyin West Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Domestic Shares) no later than 4:30 pm on 18 May 2015.

The register of members of the Company will be closed from 26 June 2015 to 3 July 2015, both dates inclusive, during which period no share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholder's approval at the AGM), all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares) or to the Company's office address of No. 501 Shanyin West Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Domestic Shares) no later than 4:30 pm on 25 June 2015.

Appreciation

The Board would like to take this opportunity to express gratitude to our shareholders, customers, suppliers, banks, intermediaries and employees of the Group for their continuous patronage and support.

By Order of the Board

Baoye Group Company Limited

Pang Baogen

Chairman

Zhejiang, the PRC

27 March, 2015

Supervisors' Report

To the Shareholders,

In the year 2014, the Supervisory Committee of Baoye Group Company Limited (the "Supervisory Committee"), in compliance with the provision of the Company Law, the Listing Rules and the articles of association of the Company, under their fiduciary duties, took an active role to work reasonably and cautiously to protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended all the Board meetings, the annual general meeting, and class meetings of the Company. It provided reasonable suggestions and opinions to the Board in respect of the operations and development plans of the Company. It also strictly and effectively monitored and supervised the management of the Company, to ensure that it was in compliance with the PRC laws and the articles of association of the Company, and in the interests of shareholders and employees when making significant policies and decisions.

We have reviewed and agreed to the Directors' report, audited consolidated financial statements to be proposed by the Board for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, chief executive officer and other senior management of the Company had during the year strictly observed their fiduciary duties, acted diligently and exercised their authorities faithfully in the best interests of the Company and the shareholders as a whole. None of the Directors, chief executive officer and members of the senior management had been found to have abused their authorities, damaged the interests of the Company and infringed upon the interests of shareholders and employees of the Company.

The Supervisory Committee is satisfied with the achieved operating results and cost-effectiveness of the Company in 2014 and has great confidence in the future of the Company.

Finally, I, on behalf of the Supervisory Committee, would like to thank all shareholders and staff of the Company for their support and patronage for the Supervisory Committee.

By Order of the Supervisory Committee

Baoye Group Company Limited

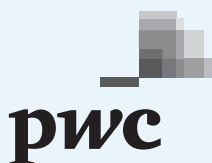
Kong Xiangquan

Chairman

Zhejiang, the PRC

27 March, 2015

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF BAOYE GROUP COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Baoye Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 61 to 138, which comprise the consolidated and company's balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 March 2015

Consolidated and Company's Balance Sheets

As at 31 December 2014

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Land use rights	6	536,240	556,586	4,860	5,089
Property, plant and equipment	7	1,234,450	1,185,751	22,856	24,739
Investment properties	8	596,583	560,013	–	–
Goodwill	9	16,534	16,534	–	–
Investment in subsidiaries	10	–	–	1,217,143	860,153
Investment in joint ventures	11(a)	48,699	49,693	50,000	99,000
Loan to a joint venture	11(b)	139,245	205,688	233,558	443,685
Investment in associates	12(a)	24,423	23,083	–	–
Available-for-sale financial assets	14	11,988	10,603	–	–
Deferred income tax assets	30	63,251	63,575	–	–
		2,671,413	2,671,526	1,528,417	1,432,666
Current assets					
Amounts due from subsidiaries	10	–	–	191,269	487,086
Inventories	15	141,816	170,085	–	–
Properties under development	16	4,152,152	3,780,913	–	–
Completed properties held for sale	17	1,106,578	1,179,160	–	–
Due from customers on construction contracts	18	2,569,726	2,338,278	–	–
Trade receivables	19	1,395,895	1,289,959	–	–
Other receivables and prepayments	20	2,592,414	2,062,209	2,483	2,460
Loan to associates	12(b)	40,229	37,048	–	–
Available-for-sale financial assets	14	165,900	–	77,000	–
Restricted bank deposits	21	212,607	270,015	–	–
Term deposits with initial term of over three months	22	21,034	–	–	–
Cash and cash equivalents	22	2,298,272	2,159,157	67,838	170,690
		14,696,623	13,286,824	338,590	660,236
Total assets		17,368,036	15,958,350	1,867,007	2,092,902
EQUITY					
Equity attributable to owners of the Company					
Share capital	23	631,744	662,964	631,744	662,964
Share premium	23	756,533	847,295	756,533	847,295
Reserves	24	145,024	139,534	147,036	147,036
Retained earnings					
– Proposed final dividend	38	63,174	66,296	63,174	66,296
– Others	25	4,379,705	3,791,055	241,305	322,996
		5,976,180	5,507,144	1,839,792	2,046,587
Non-controlling interests		114,157	103,010	–	–
Total equity		6,090,337	5,610,154	1,839,792	2,046,587

Consolidated and Company's Balance Sheets (continued)

As at 31 December 2014

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	29	289,000	242,509	–	–
Deferred income tax liabilities	30	63,505	58,929	–	–
		352,505	301,438	–	–
Current liabilities					
Trade payables	26	2,417,144	2,158,446	–	–
Other payables	27	2,332,662	1,966,302	19,465	38,565
Receipts in advance	28	3,228,749	2,612,992	–	–
Current income tax liabilities		428,161	651,885	7,750	7,750
Due to customers on construction contracts	18	1,799,478	1,899,254	–	–
Borrowings	29	719,000	757,879	–	–
		10,925,194	10,046,758	27,215	46,315
Total liabilities		11,277,699	10,348,196	27,215	46,315
Total equity and liabilities		17,368,036	15,958,350	1,867,007	2,092,902
Net current assets		3,771,429	3,240,066	311,375	613,921
Total assets less current liabilities		6,442,842	5,911,592	1,839,792	2,046,587

The notes on pages 68 to 138 are an integral part of these consolidated financial statements.

The financial statements on pages 61 to 138 were approved by the Board of Directors on 27 March 2015 and were signed on its behalf.

Mr. Pang Baogen

Director

Mr Gao Jiming

Director

Consolidated Income Statement

For the year ended 31 December 2014

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Revenue	5	18,897,996	17,553,323
Cost of sales	33	(17,717,224)	(16,348,513)
Gross profit		1,180,772	1,204,810
Other income	31	119,588	70,441
Other gains – net	32	9,740	127,559
Selling and marketing costs	33	(62,523)	(51,671)
Administrative expenses	33	(406,867)	(403,512)
Operating profit		840,710	947,627
Finance costs	35	–	–
Share of loss of joint ventures	11(a)	(27,997)	(17,473)
Share of profit/(loss) of associates	12(a)	340	(2,509)
Profit before income tax		813,053	927,645
Income tax expense	36	(152,266)	(258,048)
Profit for the year		660,787	669,597
Profit attributable to:			
– Owners of the Company		648,702	663,312
– Non-controlling interests		12,085	6,285
		660,787	669,597
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB per share)	37	1.01	1.00
Dividends	38	63,174	66,296

The notes on pages 68 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit for the year	660,787	669,597
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	(1,528)	(1,381)
Transfer of reserves to income statement upon sale of available-for-sale financial assets, net of tax	(2,071)	(2,270)
Change in fair value of available-for-sale financial assets, net of tax	5,112	900
Other comprehensive income for the year, net of tax	1,513	(2,751)
Total comprehensive income for the year	662,300	666,846
Total comprehensive income attributable to:		
– Owners of the Company	650,215	660,561
– Non-controlling interests	12,085	6,285
Total comprehensive income for the year	662,300	666,846

The notes on pages 68 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company						
	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	662,964	847,295	135,742	3,340,201	4,986,202	103,615	5,089,817
Comprehensive income							
Profit for the year	-	-	-	663,312	663,312	6,285	669,597
Other comprehensive income							
Transfer of reserves to income statement upon sale of revaluated properties	-	-	(1,381)	-	(1,381)	-	(1,381)
Transfer of reserves to income statement upon sale of available-for-sale financial assets	-	-	(2,270)	-	(2,270)	-	(2,270)
Change in fair value of available-for-sale financial assets	-	-	900	-	900	-	900
Total comprehensive income for the year	-	-	(2,751)	663,312	660,561	6,285	666,846
Transfer to statutory surplus reserve	-	-	6,940	(6,940)	-	-	-
Dividends	-	-	-	(139,222)	(139,222)	(7,587)	(146,809)
Total contributions by and distributions to owners of the Company, recognised directly in equity	-	-	6,940	(146,162)	(139,222)	(7,587)	(146,809)
Acquisition of non-controlling interests in a subsidiary	-	-	(397)	-	(397)	(4,703)	(5,100)
Capital contributions by non-controlling interests	-	-	-	-	-	5,400	5,400
Total changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	(397)	-	(397)	697	300
Total transactions with owners, recognised directly in equity	-	-	6,543	(146,162)	(139,619)	(6,890)	(146,509)
Balance at 31 December 2013	662,964	847,295	139,534	3,857,351	5,507,144	103,010	5,610,154

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2014

	Attributable to the owners of the Company						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000			
Balance at 1 January 2014	662,964	847,295	139,534	3,857,351	5,507,144	103,010	5,610,154	
Comprehensive income								
Profit for the year	-	-	-	648,702	648,702	12,085	660,787	
Other comprehensive income								
Transfer of reserves to income statement upon sale of revaluated properties	-	-	(1,528)	-	(1,528)	-	(1,528)	
Transfer of reserves to income statement upon sale of available-for-sale financial assets	-	-	(2,071)	-	(2,071)	-	(2,071)	
Change in fair value of available-for-sale financial assets	-	-	5,112	-	5,112	-	5,112	
Total comprehensive income for the year	-	-	1,513	648,702	650,215	12,085	662,300	
Repurchase and cancellation of shares (Note 23)	(31,220)	(90,762)	-	-	(121,982)	-	(121,982)	
Dividends	-	-	-	(63,174)	(63,174)	(1,977)	(65,151)	
Total contributions by and distributions to owners of the Company, recognised directly in equity	(31,220)	(90,762)	-	(63,174)	(185,156)	(1,977)	(187,133)	
Capital contributions by non-controlling interests	-	-	12	-	12	14,004	14,016	
Acquisition of non-controlling interests in a subsidiary (Note 42)	-	-	3,965	-	3,965	(12,965)	(9,000)	
Total changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	3,977	-	3,977	1,039	5,016	
Total transactions with owners, recognised directly in equity	(31,220)	(90,762)	3,977	(63,174)	(181,179)	(938)	(182,117)	
Balance at 31 December 2014	631,744	756,533	145,024	4,442,879	5,976,180	114,157	6,090,337	

The notes on pages 68 to 138 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	39	838,481	923,490
Interest paid		(59,626)	(53,409)
Income tax paid		(372,104)	(302,310)
Net cash generated from operating activities		406,751	567,771
Cash flows from investing activities			
Investment in a joint venture		–	(50,000)
Repayment of loans by a joint venture		43,127	–
Acquisition of interest in associates		(1,400)	–
Loan to an associate		(1,781)	–
Proceed from disposal of a subsidiary		4,027	–
Purchase of available-for-sale financial assets		(268,400)	–
Proceed from sales of available-for-sale financial assets		107,932	59,026
Purchase of property, plant and equipment		(173,667)	(220,412)
Proceeds from sale of property, plant and equipment	39	6,513	43,968
Proceeds from sale of land use rights		9,702	12,463
Dividends received from associates		400	600
Increase of term deposits with initial term of over three months		(21,034)	–
Interest received		118,188	69,061
Net cash used in investing activities		(176,393)	(85,294)
Cash flows from financing activities			
Proceeds from borrowings		1,621,000	1,930,388
Repayments of borrowings		(1,613,388)	(1,775,000)
Dividends paid to owners of the Company		(63,174)	(139,222)
Capital contributions by non-controlling interests		14,016	5,400
Repurchase of shares		(121,982)	–
Loan from non-controlling interests		83,262	55,250
Acquisition of non-control interest	42	(9,000)	(5,100)
Dividends paid to non-controlling interests		(1,977)	(7,587)
Net cash (used in)/generated from financing activities		(91,243)	64,129
Net increase in cash and cash equivalents		139,115	546,606
Cash and cash equivalents at beginning of the year		2,159,157	1,612,551
Cash and cash equivalents at end of the year		2,298,272	2,159,157

The notes on pages 68 to 138 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

Baoye Group Company Limited (the “Company”) was established as a limited liability company in the People’s Republic of China (the “PRC”) and the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 30 June 2003.

The address of the Company’s registered office is Yangxunqiao Township, Shaoxing County, Zhejiang Province, the PRC.

The principal activities of the Company and its subsidiaries (collectively the “Group”) are the provision of construction services, manufacture and distribution of building materials and development and sale of properties in the PRC.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2015.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

- (a) *New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning 1 January 2014 and are relevant to the Group*

HKAS 32 (amendments)	Financial instruments: Presentation – offsetting financial assets and financial liabilities
HKFRS 10, HKFRS 12 and HKAS 27 (amendments)	Investment entities
HKAS 36 (amendments)	Impairment of assets: recoverable amount disclosures for non-financial assets
HK(IFRIC) – Int 21	Levies

The adoption of the above amended standards and interpretation did not have significant impact on the results or financial position of the Group.

- (b) *New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning 1 January 2014 and have not been early adopted*

		Effective for annual periods beginning or after
Amendment to HKAS 19	Defined benefit plans: employee contributions	1 July 2014
Annual improvements 2012	Changes from the 2010–2012 cycle of the annual improvements project	1 July 2014
Annual improvements 2013	Changes from the 2011–2013 cycle of the annual improvements project	1 July 2014
HKFRS 14	“Regulatory Deferral Accounts”	1 January 2016
Amendment to HKFRS 11	“accounting for acquisitions of interests in joint operations”	1 January 2016
Amendments to HKAS 16 and HKAS 38	“clarification of acceptable methods of depreciation and amortisation”	1 January 2016
Amendments to HKAS 16 and HKAS 41	“Agriculture: bearer plants”	1 January 2016
Amendments to HKFRS 10 and HKAS 28	“Sale or contribution of assets between an investor and its associate or joint venture”	1 January 2016
Amendment to HKAS 27	“Equity method in separate financial statements”	1 January 2016
Annual improvements 2014		1 January 2016
HKFRS 15	“Revenue from Contracts with Customers”	1 January 2017
HKFRS 9	“Financial Instruments”	1 January 2018

The above amendments will be effective for annual periods beginning on or after 1 January 2015 and the Group is yet to assess the impact of these amendments on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

2 Summary of significant accounting policies (continued)**2.1 Basis of preparation (continued)****2.1.1 Changes in accounting policy and disclosures (continued)***(c) New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests’ proportionate share of the acquiree’s net assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.7). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit or loss.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Separate financial statements

Investments in subsidiaries, associates and joint ventures are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries, associates and joint ventures are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries, associates and joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associates and joint ventures in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements (continued)

2 Summary of significant accounting policies (continued)**2.2 Consolidation (continued)****(e) Associates and joint arrangements**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of loss in associates and joint ventures equals or exceeds its interests in the associates and joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates and joint ventures.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in associates and the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policy of associates and joint ventures has been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in joint ventures are stated at cost less provision for impairment losses. The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statements within "finance costs". All other foreign exchange gains and losses are presented in the income statement within "Other gains – net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

2 Summary of significant accounting policies (continued)**2.5 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs amounts to their residual values over their estimated useful lives, as follows:

Buildings and plants	20 years
Machinery	10 years
Motor vehicles	4~5 years
Office equipment and others	3~5 years

Construction in progress represents the direct costs of construction incurred in property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time that the relevant assets are completed and available for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains – net", in the income statement.

2.6 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

2 Summary of significant accounting policies (continued)

2.6 Investment properties (continued)

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the income statement as part of a valuation gain or loss in 'Other gains – net'.

If an item of properties under development or completed properties held for sale becomes an investment property because its use has changed, any difference between the fair value of the property at that date and its previous carrying amount is recognised in 'Other gains – net'.

2.7 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.8 Impairment of investments in non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered from impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements (continued)

2 Summary of significant accounting policies (continued)**2.9 Financial assets****(a) Classification**

The Group classifies its financial assets in the following categories: loans and receivable and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'Trade and other receivables' (Note 2.15), 'Amounts due from subsidiaries', 'Loan to a joint venture', 'Loan to associates', 'Restricted bank deposits', 'Term deposits with initial term of over three months' and 'Cash and cash equivalents' (Note 2.17) in the balance sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of it within 12 months of the balance sheet date.

(b) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "Other gains – net".

2 Summary of significant accounting policies (continued)

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Notes to the Consolidated Financial Statements (continued)

2 Summary of significant accounting policies (continued)**2.11 Land use rights**

The Group made upfront payments to obtain operating leases of land use rights. If the land use rights are held for development and subsequent sales, the upfront payments are recorded as part of the cost of properties under development (Note 2.12). If the land use rights are held by the Group for own use, the upfront payments are recorded as a separate asset and are amortised to the income statement on a straight-line basis over their lease periods.

2.12 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises the payments for land use rights held for development, direct costs attributable to the development of the properties and borrowing costs capitalised during the period of development. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to complete and make the sale. On completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development included in the current assets are expected to be realised in, or are intended for sale in the Group's normal operating cycle.

2.13 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises costs attributable to the completion of the properties. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise (including the properties and building materials) sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 Summary of significant accounting policies (continued)

2.16 Construction contracts

A construction contract is defined as a contract specifically negotiated for construction of an asset. Contract costs are recognised as cost in the period when they are incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage-of-completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Progress billings not yet paid by customers and retention are included within “trade receivables” and “other receivables”, respectively.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Notes to the Consolidated Financial Statements (continued)

2 Summary of significant accounting policies (continued)

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's owners.

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value (referred to as "borrowing costs") is recognised in the income statement over the period of the borrowings using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

(i) *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(ii) *Outside basis differences*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements (continued)

2 Summary of significant accounting policies (continued)**2.22 Pension obligations**

The Group contributes to defined contributions retirement schemes organised and administered by the governmental authorities which are available to all employees in the PRC. Contributions to the schemes by the Group are calculated as a percentage of employees' basic salaries.

The government authorities undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the schemes described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

The Group's contributions to the above defined contributions retirement scheme are expensed as incurred.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates, discounts, business taxes and surcharges and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Provision of construction services

Provision of construction services is recognised in the accounting period in which the services are provided, by reference to the proportion of the contract costs incurred to date to the estimated total contract costs for the contract.

(b) Sales of building materials

Revenue from the sales of building materials is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(c) Sales of properties

Revenue from sales of completed properties held for sale is recognised upon execution of the sales agreements. When a developed property is sold in advance of completion, revenue is only recognised upon completion of the development and the properties have been delivered to the purchasers. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under receipts in advance.

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(d) Rental income

Rental income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

2.24 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Notes to the Consolidated Financial Statements (continued)

2 Summary of significant accounting policies (continued)**2.26 Research and Development Costs**

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- (a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (b) the management intends to complete the intangible asset and use or sell it;
- (c) there is an ability to use or sell the intangible asset;
- (d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- (e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

Development assets are tested for impairment annually.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

- (a) The Group is the lessee – Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.
- (b) The Group is the lessor – When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

2 Summary of significant accounting policies (continued)

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or the Board of Directors, where appropriate.

2.29 Financial guarantee

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group for property purchasers.

Financial guarantee liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy aims to minimise the potential adverse effects on the financial performance of the Group.

Risk management is carried out by the senior management of the Group, which includes the executive directors of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rates and regulations of foreign exchange control promulgated by the PRC government.

The main foreign currency assets held by the Group is US dollar. In addition, the Group provides construction services in Africa and holds some monetary assets denominated in the local currencies of certain countries in Africa. This exposes the Group to foreign exchange risk. The conversion and remittance of these currencies are subject to governing regulations in these countries.

There is no written policy to manage this foreign exchange risk. Management monitors the Group's currency exposure on an ongoing basis.

During 2013 and 2014, the Group did not purchase forward contracts to hedge the foreign exchange risk.

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)**3.1 Financial risk factors (continued)****(a) Market risk (continued)***(i) Foreign exchange risk (continued)*

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2014 and 2013 are as follows:

	Group	
	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Assets		
US dollar ("USD")	171,941	88,223
Djibouti Franc ("DJF")	12,697	37,934
Botswana pula ("BWP")	8,057	4,794
Seychelles Rupee ("SCR")	2,812	1,599
Other foreign currencies	1,951	456
Liabilities		
DJF	(125,568)	(71,868)
BWP	(17,344)	(18,735)
SCR	(5,623)	(4,590)

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at year end.

	Group	
	As at 31 December	
	2014	2013
	RMB'000	RMB'000
(Decrease)/increase in profit for the year		
– USD	(6,448)	(3,308)
– DJF	4,233	1,273
– BWP	348	523
– SCR	105	112
– Other foreign currencies	(73)	(17)

The Company holds insignificant foreign currency denominated monetary assets and liabilities at 31 December 2014 and 2013.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to certain raw materials (such as cement and steel) price risk, but does not enter into forward contract to hedge the relative risk. Price changes are generally passed on to customers. In addition, the Group is also exposed to equity securities price risk because the Group has available-for-sale financial assets. The Group does not actively trade these investments.

As at 31 December 2014, management considered that the price risk of the equity securities is not material to the Group as the amount of available-for-sale financial assets is not significant.

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has interest-bearing assets including short-term bank deposits and cash at bank. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2014, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, the net profit for current year would not change but the properties under development would increase/decrease by RMB5,300,000 (2013: RMB4,880,000) as all of the interest expense for the year of 2014 (2013: all) has been capitalised in properties under development.

In addition, the Company also has interest bearing assets (short-term bank deposits and cash at bank) and borrowings at variable rates. The various interest bearing advances made to joint ventures are determined at the applicable fixed rate as disclosed under Note 11(b) by reference to their prevailing money market rates.

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)**3.1 Financial risk factors (continued)****(b) Credit risk**

The Group is exposed to credit risk in relation to its trade and other receivables, loan to the joint ventures, cash deposits with banks and granting of guarantees in respect of mortgage facility to properties' purchasers, which represent the Group's maximum exposure to credit risk.

In addition, the Company is also exposed to credit risk in relation to its other receivables, amounts due from subsidiaries, loan to the joint ventures, cash and cash equivalent and granting of guarantees in respect of bank loans to its subsidiaries, which represent the Company's maximum exposure to credit risk.

To manage this risk, deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that provision of construction services and sale of building material are made to customers with an appropriate credit history; sales of completed properties are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

No credit limits were in default during the reporting period, and management does not expect any losses that would result from the non-performance by these counterparties.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group has established a central treasury department (group treasury) to manage its cash flow. The Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term bank borrowings, long-term bank borrowings and other loans to meet its business demand. The Group treasury maintains flexibility in funding by maintaining adequate amount of cash and cash equivalent and abundant sources of financing.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group			Company	
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000	Less than 1 year RMB'000
At 31 December 2014					
Borrowings	719,000	289,000	-	1,008,000	-
Interest of borrowings	40,587	8,788	-	49,375	-
Trade payables	2,417,144	-	-	2,417,144	-
Other payables (excluding other taxes payables, advance and salaries payables)	1,877,687	-	-	1,877,687	6,052
Financial guarantee	85,438	-	-	85,438	577,000
Total	5,139,856	297,788	-	5,437,644	583,052
At 31 December 2013					
Borrowings	757,879	44,509	198,000	1,000,388	-
Interest of borrowings	32,752	13,951	4,878	51,581	-
Trade payables	2,158,446	-	-	2,158,446	-
Other payables and accruals (excluding other tax payables and salaries payables)	1,656,799	-	-	1,656,799	17,409
Financial guarantee	134,037	-	-	134,037	477,000
Total	4,739,913	58,460	202,878	5,001,251	494,409

The Group has adequate financial resources to repay these debts when they become due and payable.

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)**3.2 Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents and restricted bank deposits. Total capital is calculated as "equity attributable to the Company's owners" as shown in the consolidated balance sheet.

As at 31 December 2014 and 2013, the Group has surplus cash and cash equivalents over borrowings.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2014 and 2013. See Note 8 for disclosures of the investment properties that are measured at fair value.

	As at 31 December 2014			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
– Equity securities	9,318	–	2,670	11,988
– Bank financial products	–	–	165,900	165,900
	9,318	–	168,570	177,888

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

	As at 31 December 2013			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Available-for-sale financial assets				
– Equity securities	5,263	–	5,340	10,603

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications during the year ended 31 December 2014.

Notes to the Consolidated Financial Statements (continued)

3 Financial risk management (continued)**3.3 Fair value estimation (continued)**

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

	Equity securities RMB'000	Bank financial products RMB'000	Total RMB'000
Opening balance	5,340	–	5,340
Addition	–	268,400	268,400
Disposal	(2,670)	(105,262)	(107,932)
Fair value gain recognised in other comprehensive income	–	2,762	2,762
Closing balance	2,670	165,900	168,570

The following table presents the changes in level 3 instruments for the year ended 31 December 2013.

	Equity securities RMB'000	Bank financial products RMB'000	Total RMB'000
Opening balance	5,340	56,320	61,660
Disposal	–	(59,026)	(59,026)
Fair value gain recognised in other comprehensive income	–	2,706	2,706
Closing balance	5,340	–	5,340

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contract revenue recognition

The Group uses the percentage-of-completion method to determine the appropriate revenues to be recognised in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

In applying the percentage of completion method, the Group needs to estimate the gross profit margin of each construction contract, which was determined based on the estimated total construction contract costs and total construction contract sum. When the actual gross profit margin of any construction contract differs from the management's estimates, the construction contract revenue will need to be adjusted accordingly. If the overall estimated gross profit margin of construction contracts changes by 10% (2013: 10%), the revenue will be reduced by RMB59,894,000 (2013: RMB53,949,000) or increased by RMB60,391,000 (2013: RMB54,369,000).

(b) Income taxes and deferred taxation

Significant judgement and estimate are required in determining the provision for income tax (including land appreciation tax). There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

The amounts of current and deferred tax assets and liabilities are disclosed in the consolidated balance sheet.

Notes to the Consolidated Financial Statements (continued)

4 Critical accounting estimates and judgements (continued)**(c) Estimated impairment of receivables**

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgements and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and impairment of receivables in the years in which such estimates have been changed.

(d) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 8.

5 Segment information

The chief operating decision-makers are executive directors, who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the operation from a business perspective, by assessing the performance of the following three main operating segments:

- Construction – provision of construction services
- Property development – development and sale of properties
- Building materials – manufacture and sale of building materials

The Group's other operations mainly comprise the sale of construction equipments, operation of investment properties, provision of architectural and interior design services and others.

The executive directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes financial costs and share of results of associates and joint ventures from the operating segments. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the financial statements. At the Group level no segment assets and segment liabilities are provided to the executive directors.

Sales between segments are carried out on terms agreed upon by the respective parties. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated income statement and consolidated statement of comprehensive income.

5 Segment information (continued)

The segment information is as follows:

	Year ended 31 December 2014				
	Construction	Property	Building	Others	Group
	RMB'000	development RMB'000	materials RMB'000	RMB'000	RMB'000
Total revenue	15,469,583	2,090,226	2,434,580	128,820	20,123,209
Inter-segment revenue	(901,381)	-	(320,410)	(3,422)	(1,225,213)
Revenue (from external customers)	14,568,202	2,090,226	2,114,170	125,398	18,897,996
Operating profit	452,869	281,504	90,729	15,608	840,710
Depreciation	31,360	5,326	46,449	27,525	110,660
Amortisation	6,646	-	3,517	2,605	12,768
Impairment of receivables	3,038	-	11,298	-	14,336
Share of loss of joint ventures	-	23,316	4,681	-	27,997
Share of profit of associates	-	-	(340)	-	(340)
Income tax expense	108,740	8,967	25,659	8,900	152,266

	Year ended 31 December 2013				
	Construction	Property	Building	Others	Group
	RMB'000	development RMB'000	materials RMB'000	RMB'000	RMB'000
Total revenue	14,653,253	1,405,818	2,344,436	124,924	18,528,431
Inter-segment revenue	(691,281)	-	(277,751)	(6,076)	(975,108)
Revenue (from external customers)	13,961,972	1,405,818	2,066,685	118,848	17,553,323
Operating profit	431,777	376,002	72,566	67,282	947,627
Depreciation	34,655	3,947	41,106	24,323	104,031
Amortisation	6,919	-	3,499	2,605	13,023
Impairment of receivables	1,705	-	6,342	-	8,047
Share of loss of joint ventures	-	17,166	307	-	17,473
Share of loss of associates	-	-	2,509	-	2,509
Income tax expense	89,876	128,924	20,637	18,611	258,048

The reconciliation of the operating profit to profit before income tax is shown in the consolidated income statement.

The Company is domiciled in the PRC. The Group's business activities were mainly carried out in the PRC where the vast majority of the Group's assets are located.

Notes to the Consolidated Financial Statements (continued)

5 Segment information (continued)

The Group's non-current assets other than financial instruments and deferred tax assets located mainly in the PRC.

Analysis of revenue by category

	2014	2013
	RMB'000	RMB'000
Provision of construction services	14,568,202	13,961,972
Sales of building materials	2,114,170	2,066,685
Sales of properties	2,090,226	1,405,818
Rental income	46,951	12,360
Others	78,447	106,488
	18,897,996	17,553,323

6 Land use rights

Interests in land use rights for its own use represent the prepaid operating lease payments. The net book value of the land use rights is analysed as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	556,586	576,183	5,089	5,319
Disposals	(7,578)	(6,574)	–	–
Amortisation	(12,768)	(13,023)	(229)	(230)
At 31 December	536,240	556,586	4,860	5,089

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Outside Hong Kong, held on:				
Leases of over 50 years	155,963	159,593	–	–
Leases of between 10 to 50 years	380,277	396,993	4,860	5,089
	536,240	556,586	4,860	5,089

As at 31 December 2014, there was no land use rights pledged as collateral for the Group's bank borrowings (2013: RMB8,831,000) (Note 29(a)).

7 Property, plant and equipment Group

	Buildings and plants RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2013						
Cost	964,705	400,407	118,336	185,009	192,988	1,861,445
Accumulated depreciation	(301,456)	(196,689)	(86,910)	(166,172)	-	(751,227)
Net book amount	663,249	203,718	31,426	18,837	192,988	1,110,218
Year ended 31 December 2013						
Opening net book amount	663,249	203,718	31,426	18,837	192,988	1,110,218
Additions	36,482	69,108	11,017	13,269	90,536	220,412
Transfer	11,737	-	-	-	(11,737)	-
Disposals	(20,308)	(17,489)	(2,556)	(495)	-	(40,848)
Depreciation charge	(42,162)	(35,205)	(13,088)	(13,576)	-	(104,031)
Closing net book amount	648,998	220,132	26,799	18,035	271,787	1,185,751
At 31 December 2013						
Cost	978,595	431,430	102,296	194,329	271,787	1,978,437
Accumulated depreciation	(329,597)	(211,298)	(75,497)	(176,294)	-	(792,686)
Net book amount	648,998	220,132	26,799	18,035	271,787	1,185,751
Year ended 31 December 2014						
Opening net book amount	648,998	220,132	26,799	18,035	271,787	1,185,751
Additions	5,145	35,337	10,197	11,487	107,814	169,980
Disposal of a subsidiary	(580)	(919)	(2,273)	(25)	-	(3,797)
Transfer	147,559	2,876	-	-	(150,435)	-
Disposals	(2,657)	(3,527)	(493)	(147)	-	(6,824)
Depreciation charge	(46,786)	(37,038)	(11,671)	(15,165)	-	(110,660)
Closing net book amount	751,679	216,861	22,559	14,185	229,166	1,234,450
At 31 December 2014						
Cost	1,112,727	459,038	104,610	203,592	229,166	2,109,133
Accumulated depreciation	(361,048)	(242,177)	(82,051)	(189,407)	-	(874,683)
Net book amount	751,679	216,861	22,559	14,185	229,166	1,234,450

Notes to the Consolidated Financial Statements (continued)

7 Property, plant and equipment (continued)

Depreciation charge of RMB56,275,000 (2013: RMB52,868,000) and RMB54,385,000 (2013: RMB51,163,000) has been expensed in cost of sales and administrative expenses, respectively.

As at 31 December 2014, there was no property, plant and equipment pledged as collateral for the Group's bank borrowings (2013: RMB15,005,000) (Note 29(a)).

Buildings and plants and machinery leased by the Group to third parties under operating leases with the following carrying amounts:

	2014 RMB'000	2013 RMB'000
Cost	153,849	150,755
Accumulated depreciation at 1 January	(53,687)	(46,131)
Depreciation charge for the year	(7,701)	(7,556)
Net book amount	92,461	97,068
Related rental income for the year	11,144	7,056

7 Property, plant and equipment (continued) Company

	Buildings and plants RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
At 1 January 2013				
Cost	33,464	5,964	6,425	45,853
Accumulated depreciation	(9,107)	(5,666)	(5,552)	(20,325)
Net book amount	24,357	298	873	25,528
Year ended 31 December 2013				
Opening net book amount	24,357	298	873	25,528
Additions	–	–	108	108
Disposals	–	–	(11)	(11)
Depreciation charge	(451)	(1)	(434)	(886)
Closing net book amount	23,906	297	536	24,739
At 31 December 2013				
Cost	33,464	5,964	6,015	45,443
Accumulated depreciation	(9,558)	(5,667)	(5,479)	(20,704)
Net book amount	23,906	297	536	24,739
Year ended 31 December 2014				
Opening net book amount	23,906	297	536	24,739
Additions	–	–	52	52
Disposals	–	(22)	–	(22)
Depreciation charge	(1,590)	(1)	(322)	(1,913)
Closing net book amount	22,316	274	266	22,856
At 31 December 2014				
Cost	33,464	5,525	6,067	45,056
Accumulated depreciation	(11,148)	(5,251)	(5,801)	(22,200)
Net book amount	22,316	274	266	22,856

Depreciation charge of RMB1,913,000 (2013: RMB886,000) has been expensed in administrative expenses.

Notes to the Consolidated Financial Statements (continued)

8 Investment properties – Group

	2014	2013
	RMB'000	RMB'000
At 1 January	560,013	–
Transfer from property under development	–	491,974
Transfer from completed properties held for sale	34,346	–
Fair value change	2,224	68,039
At 31 December, at fair value	596,583	560,013

(a) Amounts recognised in profit and loss for investment properties

	2014	2013
	RMB'000	RMB'000
Rental income	35,807	5,304
Direct operating expenses from properties that generated rental income	(7,391)	(1,099)
	28,416	4,205

As at 31 December 2014, there were no investment properties pledged as collateral for the Group's bank borrowings (2013: RMB560,013,000) (Note 29(a)).

As at 31 December 2014, the Group had no unprovided contractual obligations for future repairs and maintenance (2013: No).

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through leasing.

As at 31 December 2014, the certificates of property ownership of the Group's investment properties are currently being processed.

As at 31 December 2014, the valuation of the Group's investment properties was performed by the management. As at 31 December 2013, an independent valuation of the Group's investment properties was performed by the valuer, Shaoxing Zhongxing Property Surveyors Limited, to determine the fair value of the investment properties. The revaluation gains or losses is included in "Other gains – net" in income statement (Note 32). The following table analyses the investment properties carried at fair value, by valuation method.

8 Investment properties – Group (continued)

Fair value hierarchy

Description	Fair Value measurements at 31 December 2014 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant Unobservable Inputs (Level 3) RMB'000
Shopping mall	–	–	596,583

Description	Fair Value measurements at 31 December 2013 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant Unobservable Inputs (Level 3) RMB'000
Shopping mall	–	–	560,013

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

Notes to the Consolidated Financial Statements (continued)

8 Investment properties – Group (continued)**Fair value measurements using significant unobservable inputs (Level 3)**

	Shopping mall	
	2014	2013
	RMB'000	RMB'000
Opening balance	560,013	–
Transfer from completed properties held for sale	34,346	–
Transfer from property under development	–	491,974
Net gains from fair value adjustment	2,224	68,039
Closing balance	596,583	560,013
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under “Other gains – net”	2,224	68,039
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	2,224	68,039

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2014 by management and at 31 December 2013 by an independent professionally qualified valuer who hold a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that calculates the valuations or review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the directors. Discussions of valuation processes and results are held between the directors and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Calculates the valuation or verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer if independent valuer involved.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the directors and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

8 Investment properties – Group (continued)

Valuation techniques

For the completed shopping mall in Hefei, the valuation was determined using discounted cash flow (“DCF”) projections based on significant unobservable inputs. These input include:

Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	Based on current and expected future market conditions after expiry of any current lease;
Maintenance costs	Including necessary investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 Dec 2014 (RMB'000)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Shopping mall	596,583	Rental cash inflows	RMB19-RMB82 per month per square meter	The higher the rental value, the higher the fair value
		Discount rate	7%	The higher the discount rate, the lower the fair value
		Capitalisation rate	7%	The higher the capitalisation rate, the lower the fair value

Description	Fair value at 31 Dec 2013 (RMB'000)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Shopping mall	560,013	Rental cash inflows	RMB19-RMB82 per month per square meter	The higher the rental value, the higher the fair value
		Discount rate	7.25%	The higher the discount rate, the lower the fair value
		Capitalisation rate	7.25%	The higher the capitalisation rate, the lower the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property’s features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

Notes to the Consolidated Financial Statements (continued)

9 Goodwill – Group

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to the operations of the Company acquired.

The goodwill is stated at cost and mainly arose from the acquisition of the equity interest in Hefei Baoye Real Estate Co., Ltd. ("Hefei Baoye Real Estate"). Hefei Baoye Real Estate was treated as a CGU as it has its own real estate projects. The recoverable amount of goodwill related to Hefei Baoye Real Estate is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management and estimates made by management, of which the gross margin is 31%. The discount rate used is a pre-tax rate and reflects specific risks relating to the real estate projects developed by Hefei Baoye Real Estate, which is approximate 17%. There is no reasonable change to the assumptions which would lead to an impairment charge. Based on the impairment test on the goodwill associated with Hefei Baoye Real Estate performed on 31 December 2014, no impairment provision is required.

10 Investment in and balances with subsidiaries – Company

	2014	2013
	RMB'000	RMB'000
Investment at cost, unlisted	1,217,143	860,153
Amounts due from subsidiaries	191,269	487,086

The amounts due from subsidiaries are unsecured, interest free and are repayable on demand. As at 31 December 2014 and 2013, the amounts due from subsidiaries are not impaired.

10 Investment in and balances with subsidiaries – Company (continued)

The following is a list of the principal subsidiaries as at 31 December 2014, all of which are limited liability companies incorporated and operating in the PRC, except for Baoye Hubei Construction Engineering Group Co., Ltd., which also operates in African countries:

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital RMB'000	Principal activities
	Directly	Indirectly			
浙江寶業建設集團有限公司 Zhejiang Baoye Construction Group Co., Ltd.	100%	–	–	910,000	Construction and construction related business
浙江寶業幕牆裝飾有限公司 Zhejiang Baoye Curtain Wall Decoration Co., Ltd.	83.1%	–	16.9%	50,800	Manufacture and installation of curtain wall and steel framework
浙江寶業交通建設工程有限公司 Zhejiang Baoye Infrastructure Construction Co., Ltd.	73.68%	26.32%	–	228,000	Construction of highway, bridge and other municipal infrastructure
浙江廣藝建築裝飾工程有限公司 Zhejiang Guangyi Construction and Decoration Co., Ltd.	100%	–	–	50,000	Decoration and replenishment
浙江寶業房地產集團有限公司 Zhejiang Baoye Real Estate Group Co., Ltd.	90%	10%	–	50,000	Development and sales of properties
紹興寶業四季園房地產有限公司 Shaoxing Baoye Four Seasons Garden Real Estate Co., Ltd.	100%	–	–	100,000	Development and sales of properties
浙江寶業住宅產業化有限公司 Zhejiang Baoye Building Materials Industrialisation Co., Ltd.	40%	60%	–	53,600	Production and sales of concrete and construction materials
浙江寶業木製品有限公司 Zhejiang Baoye Woodwork Co., Ltd.	40%	60%	–	31,514	Production and sales of steel, wood fireproof doors, and other wooden products

Notes to the Consolidated Financial Statements (continued)

10 Investment in and balances with subsidiaries – Company (continued)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital RMB'000	Principal activities
	Directly	Indirectly			
紹興寶業新型建材有限公司 Shaoxing Baoye New Building Materials Co., Ltd.	–	100%	–	5,000	Production and sales of construction materials
上海紫寶房地產開發有限公司 Shanghai Zibao Real Estate Development Co., Ltd.	–	100%	–	18,000	Development and sales of properties
紹興市華欣預拌混凝土有限公司 Shaoxing Huaxin Pre-mix Commodity Concrete Co., Ltd.	100%	–	–	20,000	Production and sales of concrete and construction materials
浙江寶業鋼結構有限公司 Zhejiang Baoye Steel Structure Co., Ltd.	95%	5%	–	20,000	Production, design and sales of steel structure products
安徽寶業住宅產業化公司 Anhui Baoye Building Materials Industrialisation Co., Ltd.	–	100%	–	86,000	Production and sales of concrete and construction materials
合肥寶業房地產有限公司 Hefei Baoye Real Estate Co., Ltd.	–	100%	–	30,000	Development and sales of properties
安徽華騰投資有限公司 Anhui Huateng Investment Co., Ltd.	–	100%	–	10,000	Development and sales of properties
寶業湖北建工集團有限公司 Baoye Hubei Construction Engineering Group Co., Ltd.	–	100%	–	110,000	Construction and construction related business
湖北省建工第二建設有限公司 Hubei Construction Engineering No.2 Co., Ltd.	–	100%	–	111,800	Construction and construction related business

10 Investment in and balances with subsidiaries – Company (continued)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital RMB'000	Principal activities
	Directly	Indirectly			
湖北省建工第三建設有限公司 Hubei Construction Engineering No.3 Co., Ltd.	–	100%	–	50,800	Construction and construction related business
湖北省建工第五建設有限公司 Hubei Construction Engineering No.5 Co., Ltd.	–	100%	–	110,000	Construction and construction related business
湖北省建工工業設備安裝有限公司 Hubei Industrial Equipment Installation Co., Ltd.	–	100%	–	50,190	Installation of industrial equipment
湖北省建工機械施工有限公司 Hubei Engineering Machinery Construction Co., Ltd.	–	100%	–	20,000	Provision of construction services
湖北省建工混凝土製品有限公司 Hubei Construction Engineering Concrete Products Co., Ltd.	–	100%	–	20,080	Production and sales of concrete and construction materials
湖北省建工房地產開發有限公司 Hubei Construction Engineering Real Estate Development Co., Ltd.	–	100%	–	20,000	Development and sales of properties
湖北省建工物資貿易有限公司 Hubei Construction Engineering Material Trading Co., Ltd.	–	100%	–	18,300	Provision of leasing services
安徽金糧置業有限公司 Anhui Jinliang Real Estate Company Limited	–	100%	–	1,000	Development and sales of properties

Notes to the Consolidated Financial Statements (continued)

10 Investment in and balances with subsidiaries – Company (continued)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital RMB'000	Principal activities
	Directly	Indirectly			
紹興寶業會稽山國際度假村有限公司 Shaoxing Baoye Kuaiji Mountain International Vocation Village Co., Ltd.	100%	–	–	80,000	Development and management of vacation village
合肥中寶機械製造有限公司 Hefei Zhongbao Machinery Manufacture Co., Ltd.	–	100%	–	20,000	Production and sales of machinery and fittings
浙江寶業建築設計研究院有限公司 Zhejiang Baoye Construction Design Research Institute Co., Ltd.	–	100%	–	6,000	Provision of architectural and interior design service
寶業集團浙江建設產業研究院有限公司 Baoye Group Zhejiang Construction Industry Research Institute Co., Ltd.	20%	80%	–	10,000	Construction technology research and development
蒙城寶業投資有限公司 Mengcheng Baoye Investment Co., Ltd (Note (a))	–	50%	50%	20,000	Development and sales of properties
太和縣寶業投資有限公司 Taihe Baoye Investment Co., Ltd	–	55%	45%	20,000	Development and sales of properties
紹興寶業西偉德混凝土預製件有限公司 Shaoxing Baoye Sievert Concrete Precast Elements Co., Ltd	–	75%	25%	20,000	Production and sales of model concrete
浙江寶業建材科技有限公司 Baoye Building Materials Technology Company Limited	–	100%	–	20,000	Production and sales of construction materials

(a) Although the Group owns 50% of the equity interest in Mengcheng Baoye Investment Co., Ltd (“Mengcheng Baoye”), it is able to gain power over two-third of the voting rights by virtue of an agreement with other investors. Consequently, the Group regards Mengcheng Baoye a subsidiary.

(b) As at 31 December 2014 and 2013, there was no non-controlling interests material to the Group.

11 Investment in and loan to joint ventures

(a) Investment in joint ventures

Group

As of 31 December 2014 and 2013, the Group has 49% and 50% equity interests in Shaoxing Greentown and Baoye Real Estate Company Limited ("SGB"), which is a limited liability company engaged in real estate development business in the PRC, and Baoye Daiwa Industrialised House Manufacturing Company Limited ("BYD"), which is principally engaged in the production, sales, construction and design consultation, research and development of parts used in industrialised residential housing.

Movement of the investments are as follows:

	Investment cost RMB'000	Share of loss RMB'000	Total RMB'000
At 1 January 2013	49,000	(49,000)	–
Addition	50,000	(307)	49,693
At 31 December 2013	99,000	(49,307)	49,693
Addition	–	(4,681)	(4,681)
Adjustment for purchase of property, plant and equipment from a joint venture	–	3,687	3,687
At 31 December 2014	99,000	(50,301)	48,699

Summarised financial information for joint ventures

Set out below are the summarised financial information for SGB and BYD which are accounted for using the equity method.

Summarised balance sheet

	SGB		BYD	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Assets				
Non-current assets	110,777	83,312	12,742	11,352
Current assets	706,524	1,039,222	92,271	98,924
	817,301	1,122,534	105,013	110,276
Liabilities				
Non-current liabilities	284,173	419,771	–	–
Current liabilities	627,791	749,843	7,615	10,890
	911,964	1,169,614	7,615	10,890
Net assets	(94,663)	(47,080)	97,398	99,386

Notes to the Consolidated Financial Statements (continued)

11 Investment in and loan to joint ventures (continued)**(a) Investment in joint ventures (continued)****Summarised statement of comprehensive income**

	SGB		BYD	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	329,708	301,694	27,049	2,958
Loss after income tax	(47,583)	(35,032)	(1,988)	(614)
Total comprehensive income	(47,583)	(35,032)	(1,988)	(614)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint ventures.

	SGB		BYD	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Net assets of joint ventures	(94,663)	(47,080)	97,398	99,386
Percentage in joint ventures held by the Group	49%	49%	50%	50%
Interest in joint ventures	(46,385)	(23,069)	48,699	49,693
Loss exceeds interests charged to loan to a joint venture	46,385	23,069	–	–
Carrying value	–	–	48,699	49,693

	Company	
	2014 RMB'000	2013 RMB'000
Investment at cost, unlisted		
– SGB	49,000	49,000
– BYD	50,000	50,000
Less: allowance for impairment of investment in SGB (i)	(49,000)	–
	50,000	99,000

11 Investment in and loan to joint ventures (continued)

(b) Loan to a joint venture

	Loan to SGB	
	Group	Company
	RMB'000	RMB'000
At 1 January 2013	222,854	413,360
Interest accrued	–	30,325
Loss exceeds interests in joint venture	(17,166)	–
At 31 December 2013	205,688	443,685
Repayment	(43,127)	(43,127)
Loss exceeds interests in joint venture	(23,316)	–
	139,245	400,558
Less: provision for loan to a joint venture (i)	–	(167,000)
At 31 December 2014	139,245	233,558

The Group and the joint venture partner made advances to SGB in proportion to their respective shareholding. These advances are unsecured, with no interest bearing in 2014 (2013: 7.19%) and the Group did not intend to withdraw the advances within one year.

- (i) The recoverable amount of investment (including investment cost and loan) in SGB is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management and estimates made by management. The discount rate used is a pre-tax rate and reflects specific risks relating to the real estate projects developed by SGB, which is approximate 15%. Based on the impairment test on the investment in SGB, the amount of the provision of RMB216,000,000 (2013: nil) was made in the Company's separate financial statements as at 31 December 2014.

12 Investment in and loan to associates – Group

(a) Investment in associates

	Company	
	2014	2013
	RMB'000	RMB'000
At 1 January	23,083	27,888
Addition	1,400	–
Disposal	–	(1,696)
Share of profit/(loss)	340	(2,509)
Dividends received	(400)	(600)
At 31 December	24,423	23,083

Notes to the Consolidated Financial Statements (continued)

12 Investment in and loan to associates – Group (continued)**(a) Investment in associates (continued)**

The Group's share of the results of its associates, which are unlisted limited liability companies incorporated and operating in the PRC, is as follows:

Name	Profit/(loss) and total comprehensive income		% Interest held	Measurement Method
	2014	2013		
	RMB'000	RMB'000		
湖北寶業幕牆門窗工程有限公司 Hubei Baoye Curtain Wall Engineering Co., Ltd.	472	(467)	20%	Equity
西偉德寶業快可美建築材料(合肥)有限公司 Sievert Baoye Quick-Mix Building Materials (Hefei) Co., Ltd.	(663)	(1,239)	29%	Equity
西偉德寶業混凝土預製件(合肥)有限公司 Sievert Baoye Concrete Precast Elements (Hefei) Co., Ltd.	531	(803)	29%	Equity

There are no contingent liabilities relating to the Group's interest in the associates.

(b) Loan to associates

	2014	2013
	RMB'000	RMB'000
At 1 January	37,048	35,668
Addition	1,781	–
Interest accrued	1,400	1,380
At 31 December	40,229	37,048

These advances are repayable on demand without a fixed maturity date, bearing interest at 4% per annum.

13 Financial instruments by category

	Notes	Group		Company	
		Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000
Assets					
At 31 December 2014					
Available-for-sale financial assets	14	–	177,888	–	77,000
Trade receivables	19	1,395,895	–	–	–
Other receivables	20	1,486,083	–	2,483	–
Amounts due from subsidiaries	10	–	–	191,269	–
Loan to a joint venture	11(b)	139,245	–	233,558	–
Loan to associates	12(b)	40,229	–	–	–
Restricted bank deposits	21	212,607	–	–	–
Term deposits with initial term of over three months	22	21,034	–	–	–
Cash and cash equivalents	22	2,298,272	–	67,838	–
Total		5,593,365	177,888	495,148	77,000
Assets					
At 31 December 2013					
Available-for-sale financial assets	14	–	10,603	–	–
Trade receivables	19	1,289,959	–	–	–
Other receivables	20	1,382,452	–	2,460	–
Amounts due from subsidiaries	10	–	–	487,086	–
Loan to a joint venture	11(b)	205,688	–	443,685	–
Loan to associates	12(b)	37,048	–	–	–
Restricted bank deposits	21	270,015	–	–	–
Cash and cash equivalents	22	2,159,157	–	170,690	–
Total		5,344,319	10,603	1,103,921	–

Notes to the Consolidated Financial Statements (continued)

13 Financial instruments by category (continued)

	Notes	Group Financial liabilities stated at amortised cost RMB'000	Company Financial liabilities stated at amortised cost RMB'000
Liabilities			
At 31 December 2014			
Trade payables	26	2,417,144	–
Other payables and accruals (excluding other tax payables, advance and salaries payables)	27	1,877,687	6,052
Borrowings	29	1,008,000	–
Total		5,302,831	6,052
At 31 December 2013			
Trade payables	26	2,158,446	–
Other payables and accruals (excluding other tax payables and salaries payables)	27	1,656,799	17,409
Borrowings	29	1,000,388	–
Total		4,815,633	17,409

14 Available-for-sale financial assets

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At 1 January	10,603	68,429	–	–
Additions	268,400	–	77,000	–
Disposals	(107,932)	(59,026)	–	–
Fair value gain	6,817	1,200	–	–
At 31 December	177,888	10,603	77,000	–

14 Available-for-sale financial assets (continued)

Available-for-sale financial assets include the following:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Non-current:				
Listed:				
– Equity securities – the PRC	9,318	5,263	–	–
Unlisted:				
– Equity securities – the PRC (a)	2,670	5,340	–	–
	11,988	10,603	–	–
Current:				
– Bank financial products (b)	165,900	–	77,000	–
	177,888	10,603	77,000	–

(a) Fair value of unlisted equity securities are based on cash flows discounted using a rate based on the weighted average market interest rate.

(b) The amount represents investments in wealthy management products issued by banks with expected return range from 3.50% to 4.05% per annum and will mature within 3 months. The carrying amount approximated the fair value. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

The maximum exposure to credit risk of available-for-sale financial assets (excluding the investments in equity interest) at 31 December 2014 was RMB165,900,000 (2013: Nil).

15 Inventories – Group

	2014 RMB'000	2013 RMB'000
At cost:		
Raw materials	58,229	54,333
Work in progress	35,532	47,818
Finished goods	48,055	67,934
	141,816	170,085

The cost of inventories recognised as cost of sales amounted to RMB1,707,269,000 (2013: RMB1,693,921,000). No inventory provision was made as at 31 December 2014 and 2013.

Notes to the Consolidated Financial Statements (continued)

16 Properties under development – Group

	2014	2013
	RMB'000	RMB'000
Land use rights	1,978,605	2,430,965
Development costs	2,055,925	1,252,370
Finance costs capitalised	117,622	97,578
	4,152,152	3,780,913

The carrying value of the properties under development is expected to be completed as follows:

	2014	2013
	RMB'000	RMB'000
Within the normal operating cycle included under current assets		
– to be completed over one year	1,155,332	1,597,359
– to be completed within one year	2,996,820	2,183,554
	4,152,152	3,780,913

As at 31 December 2014, total carrying value of properties under development pledged as security for the Group's bank borrowings amounted to RMB921,968,000 (2013: RMB1,196,933,000) (Note 29(a)).

17 Completed properties held for sale – Group

	2014	2013
	RMB'000	RMB'000
Land use rights	321,762	412,890
Development costs	766,008	743,843
Finance costs capitalised	18,808	22,427
	1,106,578	1,179,160

The amount of completed properties held for sale is expected to be recovered within one year.

18 Due from/(to) customers on construction contracts – Group

The aggregate amount of costs incurred plus recognised profits (less recognised losses) and progress billings for all contracts in progress at the balance sheet date are as follows:

	2014 RMB'000	2013 RMB'000
Contract costs incurred plus recognised profits (less recognised losses) to date	56,539,559	49,255,458
Less: progress billings to date	(55,769,311)	(48,816,434)
	770,248	439,024
Represented by:		
Due from customers on construction contracts	2,569,726	2,338,278
Due to customers on construction contracts	(1,799,478)	(1,899,254)
	770,248	439,024

All amounts due from customers on construction contracts are not considered impaired and there is no concentration of credit risk with respect to these balances as the Group has a large number of customers.

As at 31 December 2014, retentions and project deposits held by customers for contract work included in other receivables of the Group amounted to RMB1,067,770,000 (2013: RMB1,070,721,000) (Note 20).

19 Trade receivables – Group

	2014 RMB'000	2013 RMB'000
Trade receivables	1,457,083	1,346,223
Less: provision for doubtful debts	(61,188)	(56,264)
	1,395,895	1,289,959

Notes to the Consolidated Financial Statements (continued)

19 Trade receivables – Group (continued)

Customers are generally granted credit terms of 1 to 3 months for construction business, 1 to 12 months for building materials business and no credit terms for property development business (except for instalment arrangement for certain villas and town houses projects). The net book value of trade receivables approximates their fair value. As at 31 December 2014, the ageing analysis of the trade receivables is as follows:

	2014	2013
	RMB'000	RMB'000
Within 3 months	532,215	562,549
3 months to 1 year	493,637	420,870
1 to 2 years	250,280	217,899
2 to 3 years	92,145	79,752
Over 3 years	88,806	65,153
	1,457,083	1,346,223

As at 31 December 2014, trade receivables of RMB1,374,685,000 (2013: RMB1,279,958,000) were past due but not impaired. These related to a number of independent customers who had no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014	2013
	RMB'000	RMB'000
Within 3 months	532,215	562,549
3 months to 1 year	493,637	420,870
1 to 2 years	250,010	212,537
2 to 3 years	83,424	68,409
Over 3 years	15,399	15,593
	1,374,685	1,279,958

19 Trade receivables – Group (continued)

As at 31 December 2014, trade receivables of RMB82,398,000 (2013: RMB66,265,000) were impaired. The amount of the provision was RMB61,188,000 as at 31 December 2014 (2013: RMB56,264,000). The individually impaired receivables mainly relate to customers which are in unexpected difficult financial situations. It is estimated that a portion of these receivables is expected to be recoverable. The ageing of these receivables is as follows:

	2014 RMB'000	2013 RMB'000
1 to 2 years	270	5,362
2 to 3 years	8,721	11,343
Over 3 years	73,407	49,560
	82,398	66,265

Movements on the provision for impairment of trade receivables are as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	56,264	48,217
Creation of provision	14,336	8,047
Receivables written off during the year as uncollectible	(9,412)	–
At 31 December	61,188	56,264

The accounting of provision for doubtful debts has been included in administrative expenses in the income statement.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
Denominated in:		
– RMB	1,287,060	1,250,810
– USD	108,835	39,149
	1,395,895	1,289,959

Notes to the Consolidated Financial Statements (continued)

20 Other receivables and prepayments

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Retention money and project deposits	1,067,770	1,070,721	–	–
Prepayments for land use rights for properties development	1,041,091	611,047	–	–
Other prepayments	65,240	68,710	–	–
Others	418,313	311,731	2,483	2,460
	2,592,414	2,062,209	2,483	2,460

The net book value of other receivables approximates their fair value. No other receivables were past due or impaired. The recoverability is assessed by reference to debtors' credit status and their historical default rates.

The carrying amounts of the Group's other receivables and prepayments are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
Denominated in:		
– RMB	2,585,706	2,054,411
– DJF	4,522	4,050
– BWP	2,094	3,664
– SCR	92	84
	2,592,414	2,062,209

As at 31 December 2014, the amount of other receivable expected to be recovered after more than one year is RMB658,387,000 (2013: RMB620,094,000). The remaining balance is expected to be recovered within one year.

21 Restricted bank deposits – Group

The restricted bank deposits mainly represent the deposits denominated in RMB confined to be used for tender bidding or to guarantee the performance of certain construction contracts work.

22 Cash and cash equivalents

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash at bank and in hand	2,471,856	2,287,682	67,838	170,690
Bank deposits	60,057	141,490	–	–
	2,531,913	2,429,172	67,838	170,690
Denominated in:				
– RMB	2,449,998	2,343,113	66,370	170,686
– USD	63,106	49,074	–	–
– DJF	8,175	33,884	–	–
– BWP	5,963	1,130	–	–
– SCR	2,720	1,515	–	–
– Other currencies	1,951	456	1,468	4
	2,531,913	2,429,172	67,838	170,690
Less: Term deposits with initial term of over three months	(21,034)	–	–	–
Restricted bank deposits (Note 21)	(212,607)	(270,015)	–	–
	2,298,272	2,159,157	67,838	170,690

The effective interest rate as at 31 December 2014 of the bank deposits of the Group is 1.25% (2013: 1.15%).

Notes to the Consolidated Financial Statements (continued)

23 Share capital and premium

	Number of Shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Opening balance 1 January 2014				
– Domestic shares	350,742	350,742	–	350,742
– H shares*	312,222	312,222	847,295	1,159,517
	662,964	662,964	847,295	1,510,259
Repurchase of shares				
– H shares*	(31,220)	(31,220)	(90,762)	(121,982)
At 31 December 2014				
– Domestic shares	350,742	350,742	–	350,742
– H shares*	281,002	281,002	756,533	1,037,535
	631,744	631,744	756,533	1,388,277
At 1 January 2013, 31 December 2013				
– Domestic shares	350,742	350,742	–	350,742
– H shares*	312,222	312,222	847,295	1,159,517
	662,964	662,964	847,295	1,510,259

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited.

During the year ended 31 December 2014, the Company repurchased in total 31,220,000 H Shares, representing approximately 10% and 4.71% of the total number of H Shares and total number of issued shares of the Company, respectively. The total amounts paid were HKD151,070,000 (equivalent to RMB121,982,000). Pursuant to the provisions of the articles of association of the Company, the 31,220,000 H Shares repurchased by the Company have been cancelled and the registered capital of the Company have been reduced by RMB31,220,000. After cancellation of these repurchased H Shares, the total number of issued shares of the Company is 631,744,005 and the registered capital of the Company is RMB631,744,005.

After the repurchase of H shares mentioned above, as at 31 December 2014, the registered, issued and fully paid capital of the Company was RMB631,744,000 divided into 631,744,000 shares of RMB1.00 per each, comprising 350,742,000 domestic shares and 281,002,000 H shares.

As at 31 December 2013, the registered, issued and fully paid capital of the Company was RMB662,964,000 divided into 662,964,000 shares of RMB1.00 per each, comprising 350,742,000 domestic shares and 312,222,000 H shares.

24 Reserves Group

	Assets revaluation reserve RMB'000	Available- for-sale financial assets reserve RMB'000	Statutory surplus reserve RMB'000	Others RMB'000	Total RMB'000
Balance at 1 January 2013	2,909	3,816	140,096	(11,079)	135,742
Appropriation from retained earnings	–	–	6,940	–	6,940
Transfer of reserves to income statement upon sale of revaluated properties	(1,381)	–	–	–	(1,381)
Transfer of reserves to income statement upon sale of available-for-sale financial assets	–	(3,026)	–	–	(3,026)
Transfer of reserves to income statement upon sale of available-for-sale financial assets – tax (Note 30)	–	756	–	–	756
Revaluation of available-for-sale financial assets (Note 14)	–	1,200	–	–	1,200
Revaluation – tax (Note 30)	–	(300)	–	–	(300)
Acquisition of non-controlling interests in a subsidiary	–	–	–	(397)	(397)
Balance at 31 December 2013	1,528	2,446	147,036	(11,476)	139,534
Balance at 1 January 2014	1,528	2,446	147,036	(11,476)	139,534
Transfer of reserves to income statement upon sale of revaluated properties	(1,528)	–	–	–	(1,528)
Transfer of reserves to income statement upon sale of available-for-sale financial assets	–	(2,762)	–	–	(2,762)
Transfer of reserves to income statement upon sale of available-for-sale financial assets – tax (Note 30)	–	691	–	–	691
Revaluation of available-for-sale financial assets (Note 14)	–	6,817	–	–	6,817
Revaluation – tax (Note 30)	–	(1,705)	–	–	(1,705)
Capital contributions by non-controlling interests	–	–	–	12	12
Acquisition of non-controlling interests in a subsidiary	–	–	–	3,965	3,965
Balance at 31 December 2014	–	5,487	147,036	(7,499)	145,024

Notes to the Consolidated Financial Statements (continued)

24 Reserves (continued) Company

	Statutory surplus reserve	
	2014 RMB'000	2013 RMB'000
At 1 January	147,036	140,096
Appropriation from retained earnings	–	6,940
At 31 December	147,036	147,036

(a) Assets revaluation reserve

Assets revaluation reserve relates to the fair value adjustments to properties held for sale arising from business combination.

(b) Statutory surplus reserve

All PRC incorporated companies within the Group are required each year to transfer 10% of the profit after tax as reported in the PRC statutory accounts to the statutory surplus reserve until the balance reaches 50% of the registered share capital. This reserve can be used to reduce any losses incurred or to increase ordinary shares. Except for the reduction due to losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

25 Retained earnings

	Group RMB'000	Company RMB'000
At 1 January 2013	3,340,201	456,953
Profit for the year	663,312	78,501
Dividends paid	(139,222)	(139,222)
Transfer to statutory surplus reserve	(6,940)	(6,940)
At 31 December 2013	3,857,351	389,292
At 1 January 2014	3,857,351	389,292
Profit/(loss) for the year	648,702	(21,639)
Dividends paid	(63,174)	(63,174)
At 31 December 2014	4,442,879	304,479

As at 31 December 2014, included in retained earnings of the Group, RMB366,850,000 (2013: RMB351,418,000) is surplus reserve of subsidiaries attributable to the Company, of which RMB15,432,000 (2013: RMB35,390,000) is appropriated for the current year.

26 Trade payables – Group

As at 31 December 2014, the ageing analysis of the trade payables is as follows:

	2014 RMB'000	2013 RMB'000
Within 3 months	820,598	859,803
3 months to 1 year	957,403	784,555
1 to 2 years	356,650	241,898
2 to 3 years	136,976	134,227
Over 3 years	145,517	137,963
	2,417,144	2,158,446

27 Other payables

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Deposits from project managers	1,183,546	1,064,805	–	–
Other taxes payables	284,059	230,556	13,413	21,156
Due to non-controlling interests (a)	246,262	163,000	–	–
Advance from government for housing demolition and relocation (b)	98,423	–	–	–
Salaries payables	72,493	78,947	–	–
Accruals	9,790	8,812	–	–
Others	438,089	420,182	6,052	17,409
	2,332,662	1,966,302	19,465	38,565

(a) Amounts due to non-controlling interests are unsecured, interest free and repayable on demand.

(b) The amount represents the compensation from government for housing demolition and relocation due to urbanisation. As at 31 December 2014, the carrying amount of the land use right and property, plant and equipment to be demolished were RMB8,889,000 and RMB78,000, respectively.

28 Receipts in advance

The receipts in advance mainly represent the proceeds from the pre-sale of the properties.

Notes to the Consolidated Financial Statements (continued)

29 Borrowings – Group

	2014 RMB'000	2013 RMB'000
Non-current liabilities		
Long-term bank borrowings		
– Secured (a)	289,000	242,509
Current liabilities		
Short-term bank borrowings		
– Secured (a)	12,000	232,491
– Unsecured with guarantee (b)	205,000	165,000
– Guarantee by the companies within the Group	502,000	360,388
	719,000	757,879
	1,008,000	1,000,388

(a) As at 31 December 2014, secured bank borrowings of the Group were secured by:

	2014 RMB'000	2013 RMB'000
Properties under development	921,968	1,196,933
Land use rights	–	8,831
Property, plant and equipment	–	15,005
Investment properties	–	560,013
	921,968	1,780,782

(b) These loans are guaranteed by:

	2014 RMB'000	2013 RMB'000
Mr. Pang Baogen and the Company (jointly)	205,000	165,000

Mr. Pang Baogen is the chairman of the Board of Directors, as well as a major shareholder of the Company.

29 Borrowings – Group (continued)

- (c) The exposure of the borrowings with respect to interest-rate changes and the contractual repricing dates or maturity date, whichever is earlier, are 6 months or less.

The borrowings are repayable as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year	719,000	757,879
Between 1 and 2 years	289,000	44,509
Between 2 and 5 years	–	198,000
	1,008,000	1,000,388

The weighted average effective interest rates were as follows:

	2014	2013
Bank borrowings	5.85%	5.82%

The fair values of the respective borrowings approximate their carrying amounts. All the carrying amounts of the borrowings are denominated in RMB.

30 Deferred income tax – Group

The amounts shown in the balance sheet include the following:

	2014 RMB'000	2013 RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	49,840	46,614
– Deferred tax assets to be recovered within 12 months	13,411	16,961
	63,251	63,575
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	(46,131)	(44,111)
– Deferred tax liabilities to be settled within 12 months	(17,374)	(14,818)
	(63,505)	(58,929)
Deferred tax (liabilities)/assets – net	(254)	4,646

Notes to the Consolidated Financial Statements (continued)

30 Deferred income tax – Group (continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provision for receivables impairment RMB'000	Unrealised profit resulting from intergroup transactions RMB'000	Total RMB'000
At 1 January 2013	16,461	37,142	53,603
Recognised in the income statement	2,125	7,847	9,972
At 31 December 2013	18,586	44,989	63,575
Recognised in the income statement	3,584	(3,908)	(324)
At 31 December 2014	22,170	41,081	63,251

Deferred tax liabilities

	Fair value gain on available- for-sale financial assets RMB'000	Fair value adjustment on assets upon acquisition RMB'000	Interest capitalised RMB'000	Fair value gains on investment properties RMB'000	Total RMB'000
At 1 January 2013	(1,274)	(19,226)	(17,295)	–	(37,795)
Recognised in the income statement	–	1,336	(5,916)	(17,010)	(21,590)
Recognised in other comprehensive income	456	–	–	–	456
At 31 December 2013	(818)	(17,890)	(23,211)	(17,010)	(58,929)
Recognised in the income statement	–	4,528	(4,820)	(3,270)	(3,562)
Recognised in other comprehensive income	(1,014)	–	–	–	(1,014)
At 31 December 2014	(1,832)	(13,362)	(28,031)	(20,280)	(63,505)

30 Deferred income tax – Group (continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of losses amounting to RMB146,930,000 (2013: RMB108,345,000) that can be carried forward against future taxable income. These tax losses will expire up to and including year 2019 (2013: 2018).

31 Other income

Other income represents interest income from bank deposits and loans to project managers.

32 Other gains – net

	2014 RMB'000	2013 RMB'000
Government grants and compensation	5,787	6,847
Gains on disposals of available-for-sale financial assets	2,762	3,026
Fair value gains on investment properties (Note 8)	2,224	68,039
Gains on disposals of land use rights	2,124	5,889
Gains on disposals of a subsidiary	100	–
Donations	(2,745)	(11,486)
(Losses)/gains on disposals of property, plant and equipment	(311)	3,120
Gains on settlement of the long aging payables	–	759
Gains on disposals of an associate	–	45,227
Others	(201)	6,138
	9,740	127,559

Notes to the Consolidated Financial Statements (continued)

33 Expenses by nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2014	2013
	RMB'000	RMB'000
Depreciation of property, plant and equipment (Note 7)	110,660	104,031
Amortisation of land use rights (Note 6)	12,768	13,023
Employee benefit expenses (Note 34)	4,230,264	3,952,729
Cost of construction contracts	10,185,168	9,937,034
Cost of properties sold	1,719,445	902,602
Changes in inventories of finished goods and work in progress	32,165	(63,663)
Raw materials and consumables used	1,675,104	1,757,584
Operating leases of buildings	6,659	12,038
Auditors' remuneration	3,680	3,650
Others	210,701	184,668
	18,186,614	16,803,696

Research and development costs amounting to RMB11,048,000 were incurred for the year ended 31 December 2014 (2013: RMB12,293,000), all of which were charged as administrative expense in the consolidated income statement.

34 Employee benefit expenses

	2014	2013
	RMB'000	RMB'000
Wages and salaries	4,150,381	3,880,887
Welfare, medical and other expenses	54,376	49,422
Retirement benefit costs – defined contribution plans (a)	25,507	22,420
	4,230,264	3,952,729

(a) Retirement benefit costs

As stipulated by the Government regulations in the PRC, the Group is required to contribute to the state-sponsored retirement scheme for all of its employees in the PRC at 18% to 20% (2013: 18% to 20%) of the eligible salary of its employees on a monthly basis. The state-sponsored retirement scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the monthly contributions.

34 Employee benefit expenses (continued)

(b) Directors', supervisors' and chief executive's emoluments

The remuneration of each director and supervisor for the year ended 31 December 2014 is set out below:

Name of directors/ supervisors/chief executive	Fees	Salaries, bonuses and allowances	Retirement benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Pang Baogen (i)	100	1,000	7	1,107
Mr. Gao Lin	100	1,000	7	1,107
Mr. Gao Jiming	100	750	7	857
Mr. Gao Jun	100	750	20	870
Mr. Jin Jixiang	100	750	7	857
Mr. Chan Yin Ming, Dennis	201	–	–	201
Mr. Fung Ching, Simon	201	–	–	201
Mr. Li Wangrong (ii)	25	–	–	25
Ms. Liang Jing (ii)	25	–	–	25
Mr. Kong Xiangquan	–	577	7	584
Mr. Xu Gang (ii)	–	432	7	439
Mr. Wang Jianguo (ii)	–	400	7	407
Mr. Zhang Xindao	50	–	–	50
Mr. Xiao Jianmu (ii)	25	–	–	25
	1,027	5,659	69	6,755

The remuneration of each director and supervisor for the year ended 31 December 2013 is set out below:

Name of directors/ supervisors/chief executive	Fees	Salaries, bonuses and allowances	Retirement benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Pang Baogen (i)	100	900	6	1,006
Mr. Gao Lin	100	900	6	1,006
Mr. Gao Jiming	100	650	6	756
Mr. Gao Jun	100	650	20	770
Mr. Jin Jixiang	100	650	6	756
Mr. Chan Yin Ming, Dennis	180	–	–	180
Mr. Fung Ching, Simon	180	–	–	180
Mr. Wang Youqing (iii)	50	–	–	50
Mr. Zhao Rulong (iii)	50	–	–	50
Mr. Kong Xiangquan	–	570	6	576
Mr. Qian Yongjiang (iii)	–	359	6	365
Mr. Yuan Ajin (iii)	50	–	–	50
Mr. Zhang Xindao	50	–	–	50
Mr. Li Yongsheng (iii)	50	–	–	50
	1,110	4,679	56	5,845

Notes to the Consolidated Financial Statements (continued)

34 Employee benefit expenses (continued)**(b) Directors', supervisors' and chief executive's emoluments (continued)**

- (i) Mr. Pang Baogen is the Chairman of the Board, as well as the Chief executive of the Group.
- (ii) During the year ended 31 December 2014, Mr. Li Wangrong and Ms. Liang Jing were appointed as independent non-executive directors of the Company. During the year ended 31 December 2014, Mr. Xu Gang, Mr. Wang Jianguo and Mr. Xiao Jianmu were appointed as supervisor of the Company.
- (iii) During the year ended 31 December 2014, Mr. Wang Youqing and Mr. Zhao Rulong resigned from their position as independent non-executive directors, and Mr. Qian Yongjiang, Mr. Yuan Ajin, and Mr. Li Yongsheng resigned from their position as supervisor.

During the years ended 31 December 2014 and 2013, no director waived any emoluments. Neither incentive payment for joining the Group nor compensation for loss of office was paid or payable to any directors during the years ended 31 December 2014 and 2013.

(c) Five highest paid individuals

For the year of 2014, the 5 individuals whose emoluments were the highest in the Group for the year were all directors (2013: 5 individuals) whose emoluments are reflected in the analysis presented above.

35 Finance costs

	2014 RMB'000	2013 RMB'000
Interest on borrowings wholly repayable within five years	59,626	53,409
Less: interest capitalised in properties under development	(59,626)	(53,409)
	-	-

The capitalisation rate applied to funds borrowed generally and used for the development of properties was approximately 6.24% (2013: 6.10%) per annum.

36 Income tax expense

(a) Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the year (2013: Nil).

(b) PRC Corporate Income Tax

PRC Corporate Income Tax ("CIT") is provided on the assessable income of the Group's entities incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC.

Certain subsidiaries of the Group in the PRC have been approved as High and New Technology Enterprise, all of which were entitled to a reduced preferential CIT rate of 15% during their respective approved periods according to the applicable CIT law.

Save as aforesaid, the Company and other subsidiaries are subject to CIT at a rate of 25% (2013: 25%).

(c) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The amount of income tax expense charged to the consolidated income statement represents:

	2014 RMB'000	2013 RMB'000
Current income tax		
– PRC CIT	219,122	248,418
– Land appreciation tax:		
– Provision for the year	7,906	22,412
– Overprovision in previous years	(78,648)	(24,400)
Deferred income tax, net	3,886	11,618
	152,266	258,048

Notes to the Consolidated Financial Statements (continued)

36 Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the PRC income tax rate as follows:

	2014 RMB'000	2013 RMB'000
Profit before income tax	813,053	927,645
Add: share of (profit)/loss of associates	(340)	2,509
share of loss of joint ventures	27,997	17,473
	840,710	947,627
Calculated at a tax rate of 25% (2013: 25%)	210,178	236,907
Effects of different tax rates applicable to different subsidiaries of the Group	(9,427)	(9,719)
Tax benefit from verification collection of CIT by tax authorities	(12,934)	–
Expenses not deductible for tax purposes	7,858	4,792
Unrecognised tax losses	11,675	28,307
Utilisation of previously unrecognised tax losses	(2,028)	(748)
PRC land appreciation tax deductible for PRC corporate income tax purpose	17,686	497
	223,008	260,036
PRC land appreciation tax	(70,742)	(1,988)
Income tax expense	152,266	258,048

37 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit attributable to the owners of the Company (RMB'000)	648,702	663,312
Weighted average number of ordinary shares in issue during the year (thousands shares)	642,962	662,964
Basic earnings per share (RMB)	1.01	1.00

The Company had no dilutive potential shares in issue, thus the diluted earnings per share is the same as the basic earnings per share.

38 Dividends

	2014 RMB'000	2013 RMB'000
Proposed final dividend of RMB0.10 (2013: RMB0.10) per ordinary share	63,174	66,296

The board of directors recommend the payment of a final dividend of RMB0.10 (2013: RMB0.10) per ordinary share, totalling RMB63,174,000 (2013: RMB66,296,000). Such dividend is subject to the approval by the shareholders of the Company at the Annual General Meeting scheduled to be held on 19 June 2015. These financial statements do not reflect this dividend payable. The proposed final dividend for 2013 was paid in 2014 after the repurchase of H shares, therefore, the actual payment in 2014 for 2013 final dividend was RMB63,174,000.

39 Cash generated from operations

	2014 RMB'000	2013 RMB'000
Profit for the year	660,787	669,597
Adjustments for:		
Income tax expense (Note 36)	152,266	258,048
Depreciation (Note 7)	110,660	104,031
Amortisation of land use rights (Note 6)	12,768	13,023
Losses/(gains) on disposals of property, plant and equipment (Note 32)	311	(3,120)
Gains on disposals of land use rights (Note 32)	(2,124)	(5,889)
Gains on disposals of available-for-sale financial assets (Note 32)	(2,762)	(3,026)
Gains on disposals of an associate (Note 32)	–	(45,227)
Gains on disposals of a subsidiary	(100)	–
Transfer of reserve to income statement upon sales of revaluated properties	(1,528)	(1,381)
Interest income	(119,588)	(70,441)
Share of (profit)/loss from associates (Note 12)	(340)	2,509
Share of loss from joint ventures (Note 11)	27,997	17,473
Fair value gains on investment properties (Note 32)	(2,224)	(68,039)
Changes in working capital:		
Increase in properties under development and completed properties held for sale	(273,377)	(718,867)
Decrease/(increase) in restricted bank deposits	57,408	(56,819)
Decrease/(increase) in inventories	24,505	(44,304)
Increase in balances with customers on construction Contracts	(331,224)	(171,195)
Increase in trade and other receivables	(654,298)	(338,469)
Increase in receipts in advance	615,757	789,346
Increase in trade and other payables	563,587	596,240
Cash generated from operations	838,481	923,490

Notes to the Consolidated Financial Statements (continued)

39 Cash generated from operations (continued)

In the statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

Group	2014 RMB'000	2013 RMB'000
Net book amount (Note 7)	6,824	40,848
(Losses)/gains on disposals (Note 32)	(311)	3,120
Proceeds	6,513	43,968

40 Financial guarantee

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	85,438	134,037	–	–
Guarantees given to banks in respect of bank loans granted to subsidiaries	–	–	577,000	477,000

The Group had issued performance guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by the Group. The banks will release such guarantees upon the delivery of the building ownership certificates of such properties to the banks as securities.

41 Commitments

(a) Commitments for properties under development and construction in progress

	2014 RMB'000	2013 RMB'000
Contracted but not provided for	1,545,772	1,410,443

(b) Operating lease commitments – where the Group is the lessee

As at 31 December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings and plants and machinery, details of which are as follows:

	2014 RMB'000	2013 RMB'000
Not later than one year	2,791	2,927
Later than one year and not later than five years	3,126	4,982
	5,917	7,909

(c) Operating lease commitments – where the Group is the lessor

As at 31 December 2014, the Group had future aggregate minimum lease receivable under non-cancellable operating leases in respect of investment properties and building and plants and machinery, details of which are as follows:

	2014 RMB'000	2013 RMB'000
Not later than one year	44,578	31,251
Later than one year and not later than five years	117,117	93,866
Later than five years	174,248	174,727
	335,943	299,844

The Group leases investment properties and building and plants and machinery under various agreements which terminate between 2014 and 2032. The agreements do not include an extension option.

Notes to the Consolidated Financial Statements (continued)

42 Changes in ownership interests in subsidiaries without change of control**Acquisition of non-controlling interest in a subsidiary**

On 27 November 2014, the Group acquired the 1% of equity interests of Zhejiang Baoye Construction Group Co., Ltd. ("Baoye Construction") for a consideration of RMB9,000,000. After the acquisition, Baoye Construction became a wholly owned subsidiary of the Company. The carrying amount of the non-controlling interests in Baoye Construction on the date of acquisition was RMB12,965,000. The Group recognised an increase in equity attributable to owners of the Company of RMB3,965,000. The effect of changes in the ownership interest of Baoye Construction on the equity attributable to owners of the Company during the period is summarised as follows:

	2014
	RMB'000
Carrying amount of non-controlling interests acquired	12,965
Consideration paid to non-controlling interests	(9,000)
Net effect for transactions with non-controlling interests on equity attributable to owners of the Company	3,965

43 Related-party transactions

Apart from the related party balances disclosed in Note 11 and Note 12 and related party transactions disclosed in Note 11, Note 12 and Note 29(b), the Group had no other significant related party transactions during the year ended 31 December 2014.

Key management of the Group include the directors and supervisors, whose compensation has been disclosed in Note 34(b).

Definition

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

Anhui Baoye	Baoye Anhui Company Limited, a subsidiary of the Company
Baoye Construction	Zhejiang Baoye Construction Group Company Limited, a subsidiary of the Company
Baoye Industrialisation	Zhejiang Baoye Building Materials Industrialisation Company Limited, a subsidiary of the Company
Baoye Real Estate	Zhejiang Baoye Real Estate Group Company Limited, a subsidiary of the Company
Board	The Board of Directors of the Company
Building Materials Business	The activities of research and development, production and sale of building materials conducted by the Group
CG Code	The Corporate Governance Code contained in Appendix 14 to the Listing Rules
Company Law	Company Law of the People's Republic of China
Construction Business	The activities of undertaking and implementation of construction projects conducted by the Group
Director(s)	The director(s) of the Company
H share	Overseas listed foreign share of nominal value RMB1.00 each in the registered capital of the Company, which are listed on the Stock Exchange and subscribed for in HK dollars
HKEx	Hong Kong Exchanges and Clearing Limited
HKFRS	Hong Kong Financial Reporting Standards
HKAS	Hong Kong Accounting Standard

Definition (continued)

Hubei Baoye	Baoye Hubei Construction Group Company Limited, a subsidiary of the Company
Listing Rules	The Rules governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
Property Development Business	The activities of development of real estate conducted by the Group
SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisory Committee	The Supervisory Committee of the Company
The Company/Baoye	Baoye Group Company Limited, a joint stock limited company incorporated in the PRC and listed on the main board of the Stock Exchange
The Group/Baoye Group	The Company and its subsidiaries



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