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

THE 10 ANNIVERSARY 週年

2013年年報
ANNUAL REPORT

Our Mission
我們的使命

“From Construction To Manufacturing”

leads construction industry towards industrialisation in China.

「從建造到製造」

帶領中國建築業走向產業化

Contents

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"
- Shaoxing "Jiangwan Green Garden"
- Hefei "City Green Garden" Phase IV
- Hefei "Baoye Dongcheng Square"
- Hangzhou "Jiangwan Luyuan"
- Wuhan "Baoye Guanggu Lidu"
- Shanghai "Baoye Wanhuacheng"
- Shanghai "Baoye Centre"
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- 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 Plate
- Others

BUSINESS NETWORK

CONSTRUCTION BUSINESS

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

PROPERTY DEVELOPMENT BUSINESS

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

BUILDING MATERIALS BUSINESS

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

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. Zhao Rulong

Supervisors

Supervisors

Mr. Kong Xiangquan *(Chairman)*
Mr. Qian Yongjiang
Mr. Yuan Ajin

Independent Supervisors

Mr. Li Yongsheng
Mr. Zhang Xindao

Audit Committee

Mr. Chan Yin Ming, Dennis
(Chairman)
Mr. Fung Ching, Simon
Mr. Wang Youqing

Remuneration Committee

Mr. Chan Yin Ming, Dennis
(Chairman)
Mr. Zhao Rulong
Mr. Pang Baogen

Nomination Committee

Mr. Wang Youqing *(Chairman)*
Mr. Zhao Rulong
Mr. Gao Jiming

Company Secretary

Ms. Ngan Lin Chun, Esther FCIS, FCS

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

King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 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, the PRC
Post Code: 100004

H Share Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
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 Department
Tel: 86 575 84135837
Fax: 86 575 84118792
E-mail: irbaoye@baoyegroup.com

Website

www.baoyegroup.com

Financial Highlights

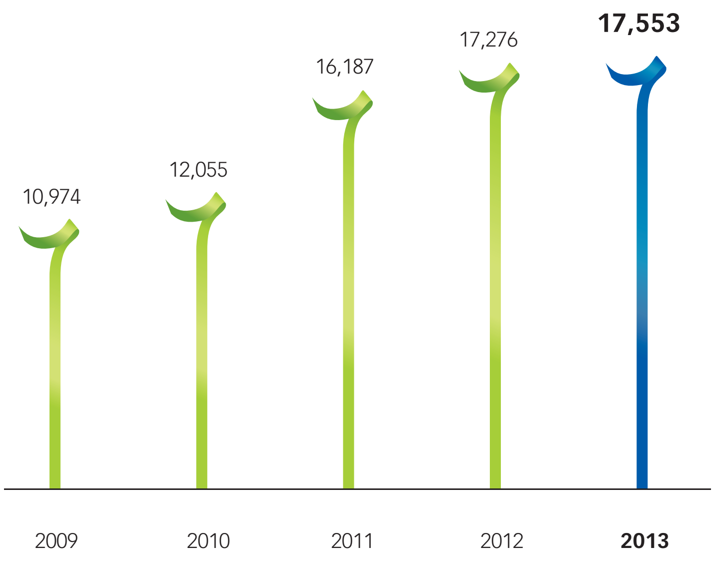
	Year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**17,553,323**	17,275,899	16,186,830	12,055,243	10,973,575
Gross Profit	**1,204,810**	1,460,176	1,349,833	951,191	1,139,218
Net Profit	**669,597**	756,579	715,843	546,425	586,232
Profit Attributable to the Owners of the Company	**663,312**	752,256	710,196	527,875	502,239
Earnings per Share (RMB)	**1.001**	1.135	1.071	0.796	0.758
Assets and Liabilities					
Total Assets	**15,958,350**	13,733,068	13,103,562	10,959,300	9,977,724
Total Liabilities	**10,348,196**	8,643,251	8,655,852	7,129,822	6,498,535
Total Equity	**5,610,154**	5,089,817	4,447,710	3,829,478	3,479,189

Key Financial Ratios

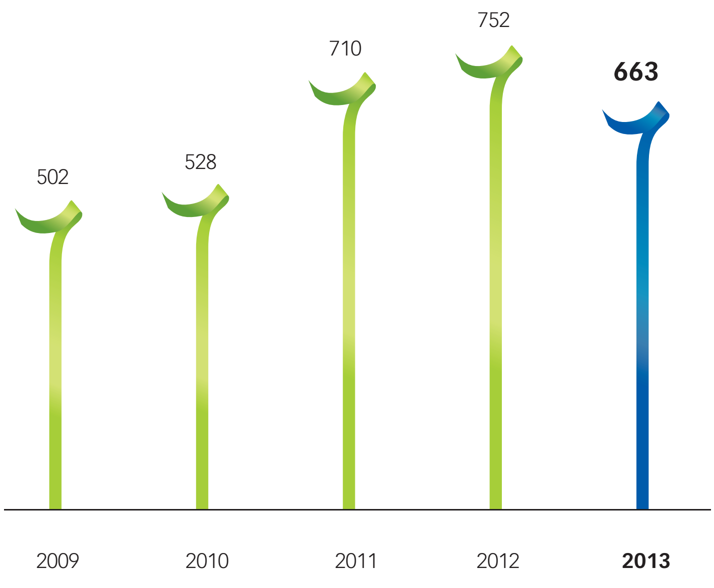
	As at 31 December	
	2013	2012
Return on Equity of the Company	**12%**	15%
Net Assets Value per Share (RMB)	**8.31**	7.52
Net Cash Ratio	**26%**	20%
Current Ratio	**1.32**	1.39
Cash Inflow from Operating Activities (RMB'000)	**567,771**	476,865

Financial Highlights (continued)

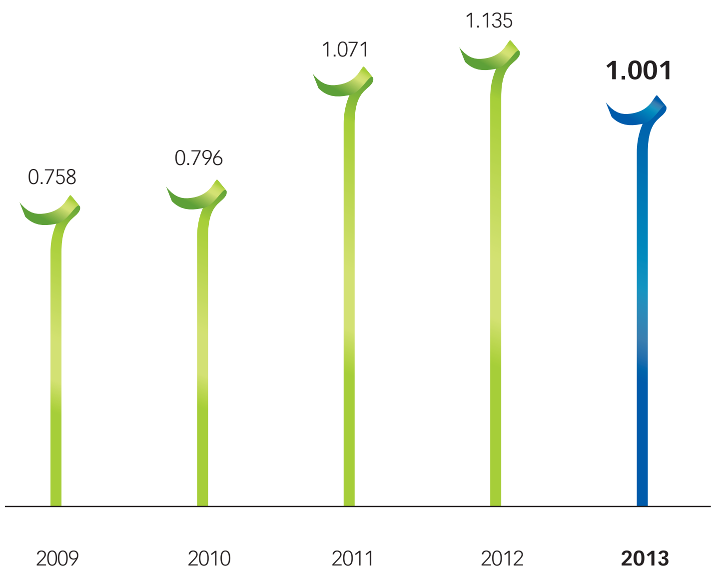
Revenue
(in RMB million)



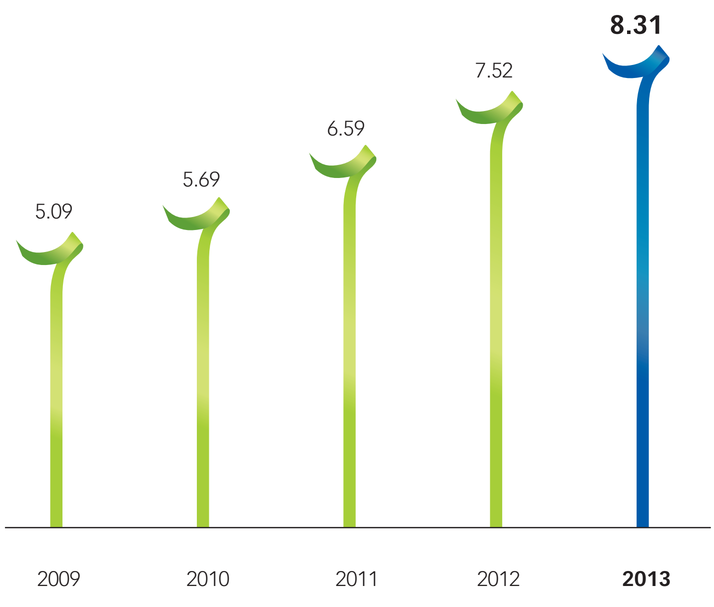
Profit Attributable to the Owners of the Company
(in RMB million)



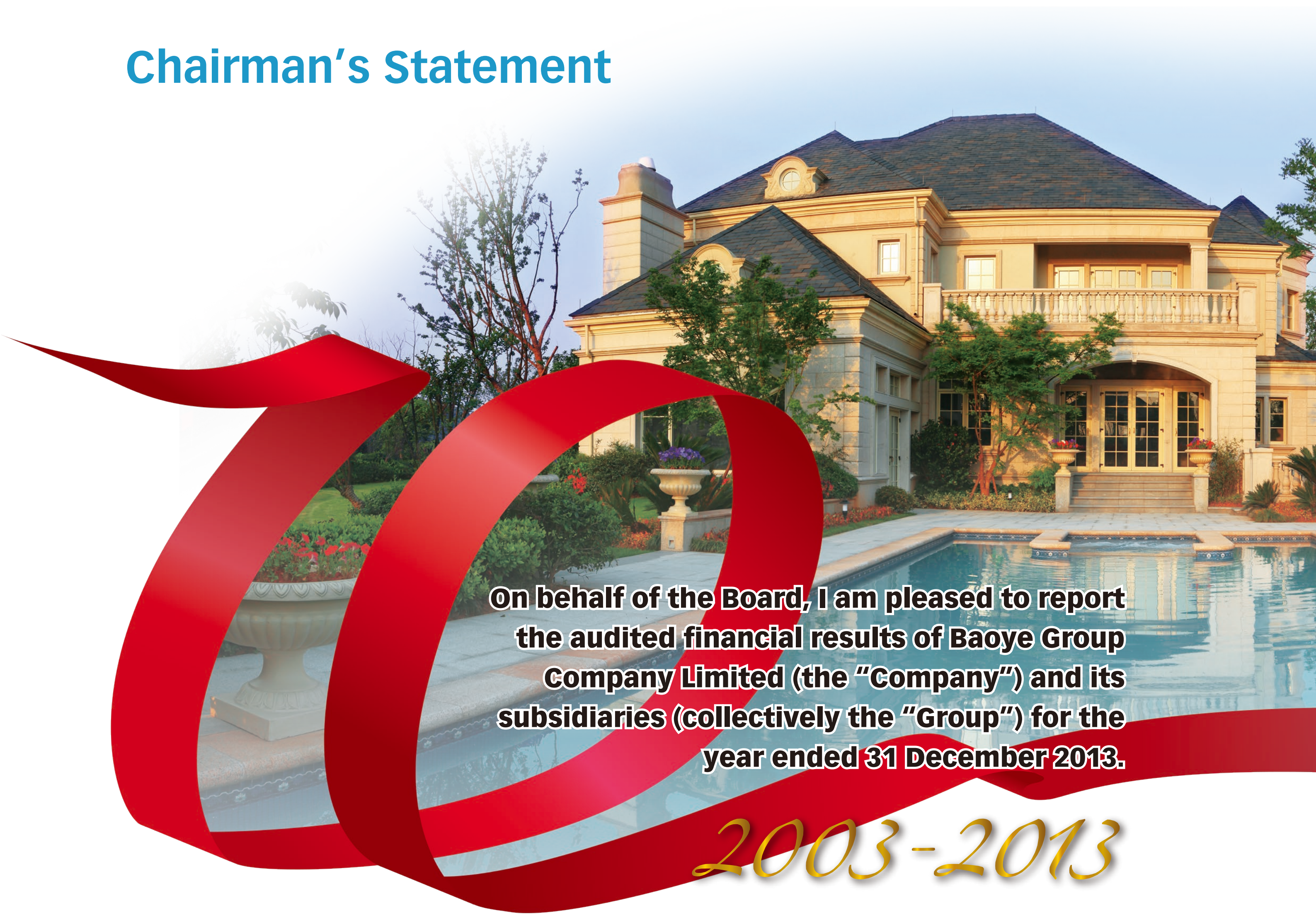
Earnings per Share
(RMB)



Net Assets Value per Share
(RMB)



Chairman's Statement



To our Shareholders,

In 2013, China economic development underwent a critical period in the process structural reform and transformation to ease out stumbling blocks for future growth. Under this complicated and changing environment, the Group has been able to realise our dream in the housing industrialisation in China by instituting a prudent role development model to sustain growth in light of risk prevention measures. For the year ended 31 December 2013, the Group achieved an audited consolidated revenue of approximately RMB17,553,323,000, representing an increase of approximately 2% as compared to last year; profit attributable to the owners of the Company amounted to approximately RMB663,312,000, representing a decrease of approximately 12% as compared to last year; earnings per share was RMB1.001, representing a decrease of approximately 12% from the preceding year. The Board proposed a final dividend of RMB0.10 for the year of 2013. Details of operating and financial performance of the Group will be discussed in the "Management Discussion and Analysis"section of this annual report.

2013 marks our 10th anniversary for the Group's listing in Hong Kong, which is also the starting line-up for renewed growth. After ten years of development, we managed to attain today's business performance and build the Baoye premium brand in our industries, we believe that the Group will continue to foster sustainable development in realising the construction industrialisation dream, which will bring trillion value. The last ten years have been volatile, among which, the Group listed in Hong Kong when "SARS" spread out in China, Hang Seng Index dropped to 8,000 points, international capital markets did not favor Chinese domestic companies, we became the first comprehensive non state-owned private enterprise listed in Hong Kong. During the past decade, the

Pang Baogen
Chairman of the Board

Group insists to adopt the management philosophy of "a healthy development is better than a short-term performance" in pursuing its three main businesses. With the continued growth in regional companies, the Group's revenue had increased from approximately RMB3 billion when listing to today's approximately RMB17.6 billion, and its businesses had been expanded from Zhejiang, Shanghai and Jiangsu to the most parts of China. In the future, the Group will continue to adopt the business model of "three-in-one" to develop its three main businesses of construction, property development and housing industrialisation.

Going forward, after the 18th National Congress of CPC, China will undergo a deeper reform in all material respect, which will bring a new development opportunity for the construction industry. Mr. Li Keqiang, the Prime Minister, stressed in his policy address that there are three people's livelihood problems needed to be resolved this year for three 100 million inhabitant groups: i.e. the first is to help agricultural inhabitants to be able to register their domicile in cities; the second is to improve the living conditions to those who lives in the shantytowns and villages in cities; and the third is to increase urbanisation in central and western China. The new urbanisation policies present coherence effect and new opportunity for the Group's three main businesses in the construction, property development, and building materials sectors. On the brighter side, we will anticipate a good market prospect, industry enhancement opportunity, and abundant supply of industry resources; on the flip side, challenges will include the adaptability to the changing new market demand, risks management exposure, and improvement in quality requirements of our products that we serve.

The construction business, as the core business of the Group, will be taking the lead to tap into new business opportunity sets forth by the new urbanisation policies. The Group, based on its some forty years industry

Chairman's Statement (continued)

experience and reputation, will actively pursue and focus on public infrastructural projects in the areas of railways and transport as well as other high-end projects, improvement in management control system, and execution of new contractor models in BT and BOT.

The Group will continue to adopt the prudent policy for its property development business, driven by market demand when positioning our products, product design, development circle, and supplement our land reserves at reasonable costs. The Group will continue to focus on the second and third tiers cities where are less affected by home purchase restriction rules and call for high demand in residential housing supported by sizable population; and to balance our land banks and product supply in between the first tier cities and medium and small sized cities. In addition, relying on our technical competitive advantages in construction industrialisation, the Group will actively participate in the development in green, low-carbon industrialised housing by combining technology and land, and will be prepared to offer a series of new product lines to fit into the changing market demand from time to time.

With respect to industrialised construction, after 18 years' of continuous research and development, the Group has acquired the capability of research, design, product, construction and operation of industrialised housing, and with three housing industrialisation bases in Zhejiang, Anhui and Hubei Provinces and two industrialised housing systems of light steel structure and precast concrete assemble structure. After the 18th National Congress of CPC, governments at all levels aim to promote industry transformation and to promote the development of industrialised construction by advocating energy-saving and emission reduction in the construction industry, by introducing subsidies and incentive policies and encouraging the use and application of technology products in housing industrialisation for affordable housing. During the year, the Group attained great achievements in housing industrialisation: the first PC production line in Zhejiang Province co-founded by Baoye and Sivert Group has been put into commercial production; the joint-venture of Baoye Daiwa Industrialised Housing Manufacturing Company Limited has commenced commercial operations; and a strategic cooperation agreement of construction industrialisation was signed between the Company and Shanghai Xiandai Architectural Design Company.

Good operating results are attributable to good management and operating systems and procedures. The Group will continue to enhance management control systems and operating procedures, human resources talent and effective risk management, and will enhance the synergy effect brought by the "three-in-one" business model. We will provide quality assurance to our customers for our products and services, environmentally-friendly and safety assurance to our society. Also, we will continue to adopt prudent financial policy and management of our investments, execution of risk management policy and procedures for our financing requirements and treasury management; and will maintain a healthy capital structure to capture growing market opportunity.

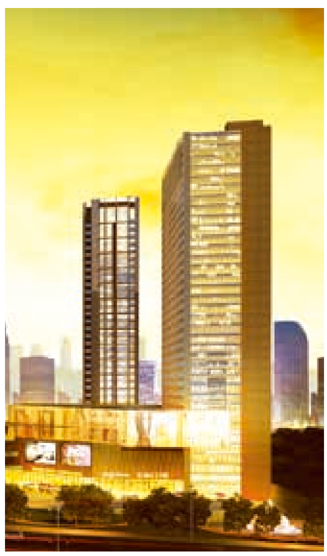
Looking ahead, the Group will continue to maintain our innovation and brand building initiatives and to focus on the 100 years' low-carbon industrialised housing mission following the 10th anniversary of our listing in Hong Kong. We firmly believe, systematic development is the only success model for enterprise enhancement and transformation and is the only exit to realise maximum corporate value and sustainable development; we will endeavor to help complete transformation of traditional construction methodologies by adopting "from construction to manufacturing, leads construction industry towards industrailisation in China" in fulfilling our corporate mission as well as our social responsibility in building "the Beautiful China".

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, let us stay hand in hand!

Mr. Pang Baogen
Chairman of the Board
28 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS



Results Review

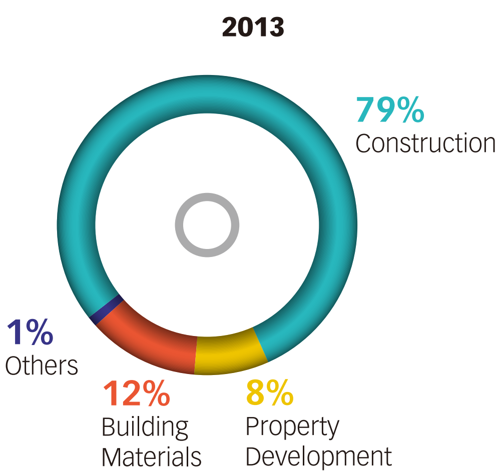
For the year ended 31 December 2013, the Group achieved a consolidated revenue of approximately RMB17,553,323,000 (2012: RMB17,275,899,000), representing an increase of approximately 2% compared to the previous year; operating profit reached RMB947,627,000 (2012: RMB1,202,769,000), representing a decrease of approximately 21% compared to last year; profit attributable to the owners of the Company amounted to approximately RMB663,312,000 (2012: RMB752,256,000), representing a decrease of approximately 12% from last year; earnings per share was RMB1.00 (2012: RMB1.14), representing a decrease of approximately 12% compared to last year.

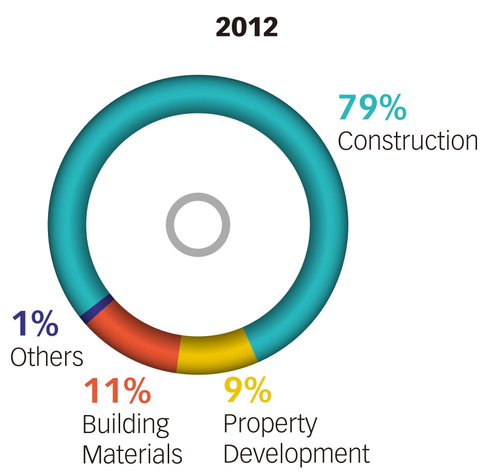
The decrease in operating profit was mainly due to the lower profit margin registered for the property sales units, comprising of high-rise apartments in 2013 compared to that of last year in which profit was contributed mainly by the Liu Garden of Four Seasons Garden, comprising of detached houses and town houses which carried much higher profit margin. In addition, the increasing intense competition in the construction industry and building materials industry, absorption of new market development expenditure, together with continued uprising costs had led the Group operating profit to slash.

During the year, included in the profit attributable to the owners of the Company was a fair value gain on investment properties of approximately RMB68,039,000 resulting from the conversion of certain commercial properties of Baoye Dongcheng Square, which is owned by Hefei Xingdong Property Development Co., Ltd, a wholly owned subsidiary company of the Group, initially set up for sale, but is now held for investment properties, which is classified under other gains-net. Baoye Dongcheng Square is located in Changjiang East Road of Hefei where one of the subway stations is positioned, with convenient transportation and full community services, which would have a great potential appreciation in value held for long term. In this vein, the Group has determined to lease it out for long term and retain it as investment properties, in anticipation for better returns in the long run.

Revenue

	For the year ended 31 December				Change
	2013		2012		
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**13,961,972**	**79%**	13,634,174	79%	2%
Property Development	**1,405,818**	**8%**	1,670,837	9%	–16%
Building Materials	**2,066,685**	**12%**	1,864,066	11%	11%
Others	**118,848**	**1%**	106,822	1%	11%
Total	**17,553,323**	**100%**	17,275,899	100%	2%

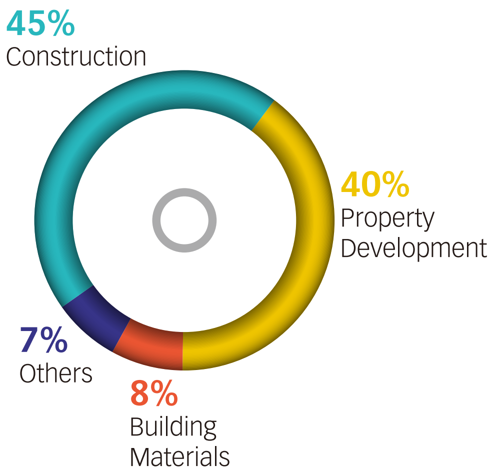




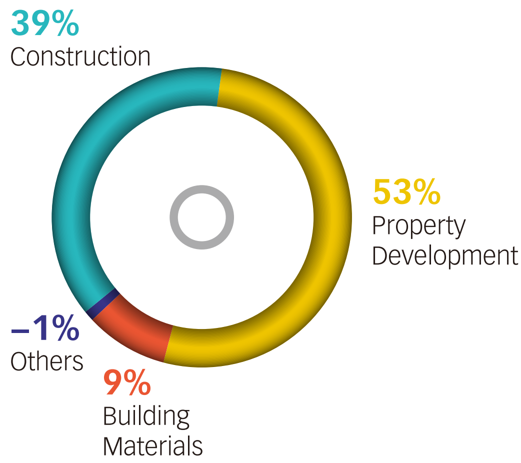
Operating profit

	For the year ended 31 December				Change
	2013		2012		
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**431,777**	**45%**	464,729	39%	–7%
Property Development	**376,002**	**40%**	638,133	53%	–41%
Building Materials	**72,566**	**8%**	107,761	9%	–33%
Others	**67,282**	**7%**	(7,854)	–1%	957%
Total	**947,627**	**100%**	1,202,769	100%	–21%

2013



2012



Management Discussion and Analysis (continued)

Construction Business

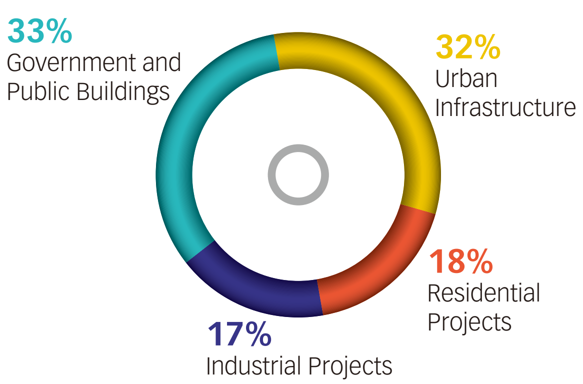
For the year ended 31 December 2013, the Group's construction business achieved revenue of approximately RMB13,961,972,000, representing a growth of approximately 2% over last year; operating profit amounted to approximately RMB431,777,000, representing a decrease of approximately 7% over last year. The increasing intense competition and absorption of new market development expenditure had led to increased operating costs, thus leading to the decrease in operating profit.

For the year ended 31 December 2013, the Group's total contract value under construction in-progress amounted to approximately RMB49,255,458,000, representing an increase of approximately 6% over last year. The total contract value for the Group's construction-in progress is analysed below:

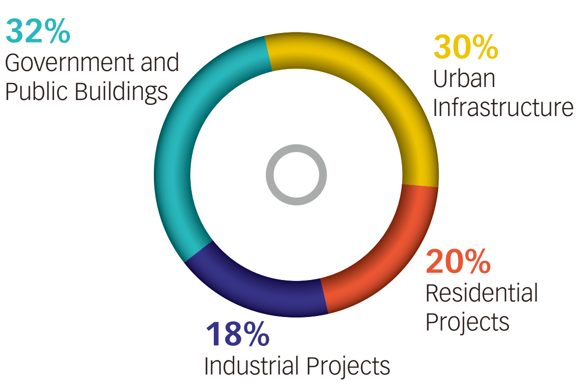
By project nature

	As at 31 December				
	2013		2012		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Government and Public Buildings	**16,053,174**	**33%**	14,669,673	32%	9%
Urban Infrastructure	**15,717,301**	**32%**	14,139,920	30%	11%
Residential Projects	**9,161,718**	**18%**	9,446,165	20%	–3%
Industrial Projects	**8,323,265**	**17%**	8,295,420	18%	0%
Total	**49,255,458**	**100%**	46,551,178	100%	6%

2013



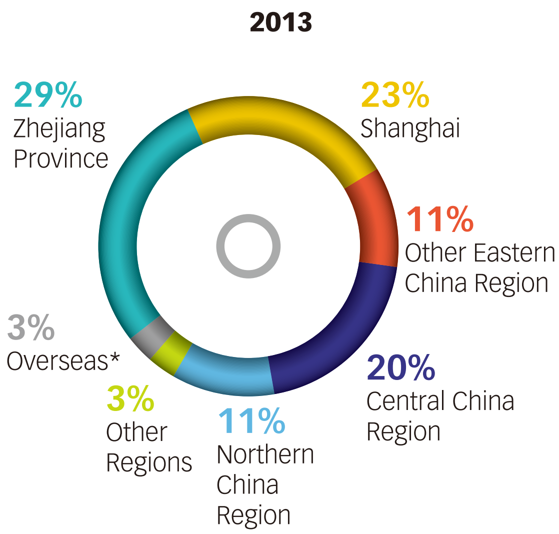
2012



By region

	As at 31 December				
	2013		2012		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Zhejiang Province	**14,038,117**	**29%**	13,972,336	30%	0%
Shanghai	**11,378,263**	**23%**	11,281,678	24%	1%
Other Eastern China Region	**5,664,503**	**11%**	5,094,095	11%	11%
Central China Region	**9,654,284**	**20%**	8,730,208	19%	11%
Northern China Region	**5,467,477**	**11%**	4,680,255	10%	17%
Other Regions	**1,674,723**	**3%**	1,433,777	3%	17%
Overseas*	**1,378,091**	**3%**	1,358,829	3%	1%
Total	**49,255,458**	**100%**	46,551,178	100%	6%

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



Management Discussion and Analysis (continued)

During the year, the Group steers the development path set forth by nation's twelfth "five-year-plan", its vision and mission, to withstand austerity macro-economic measures and intensified market competition; simultaneously, the Group deepens the execution of contract management, and actively explores regional operational mode to fit the scaling of market sizes so as to realise the transformation of the construction model by striving to adopt "sizeable market, high value customer and large project" business strategy. In 2013, the Group had secured new construction contracts amounted to approximately RMB19.8 billion (2012: RMB18.8 billion) in value, representing an increase of approximately 5% compared to last year, including a large number of middle and high-end projects, such as Shanghai Zhongfu Culture Plaza, the northern land area of Changfeng Project in Shanghai, Yue Entrepreneurs Building in Shanghai, Springland • Run Garden in Anhui Province, Daiwa House Project in Wuxi City, Kowloon Suzhou Baitang Project, Binjiang Yintai International Hotel in Hangzhou, Nanjing Station of Shanghai – Ningbo Intercity Railway, Zhijiang School of Zhejiang University of Technology.

The Group emphases on brand building, it was the leader of all competitions during the year, which helped to enhance the Group's reputation. Up to now, the Group has been awarded 15 Luban Awards, which places the Group in a leading position in the construction industry. In 2013, the Group received a total of 84 awards, include 1 Luban Award, 9 national awards including the National Excellent Silver Award and Zhan Tianyou Award, and 45 provincial awards. The key awards are as follows:

Projects Name	Awards
Yuyao Chamber of Commerce Building	Luban Award/Qianjiang Cup
Jinji Lake School in Suzhou Industrial Zone	National Excellent Project Award
BRC • Xiangjiang Guoji	Zhan Tianyou Award
Shanghai Pudong Gubei Yuting	Baiyulan Cup
C-2 Area of Shanghai Logistic Warehouse Centre	Baiyulan Cup
Phase I Project of the New District of Hefei Second Hospital	Huangshan Cup
Jinlun Times Plaza in Zhuzhou Hunan Province	Furong Award
Section I of Phase I of Zhengzhou "Haima Garden"	Zhongzhou Cup
Section I of A Land Area of Green Town • Lijiang Apartment	Qianjiang Cup
Shaoxing Jiya Logistic Centre	Qianjiang Cup

Property Development Business

Property Sales

For the year ended 31 December 2013, revenue of the Group's property development business amounted to approximately RMB1,405,818,000 (the revenue before deductions of sales tax and related levies was approximately RMB1,487,398,000), representing a decrease of approximately 16% from last year. Operating profit amounted to approximately RMB376,002,000, representing a decrease of approximately 41% compared to last year. The decrease in revenue and operating profit for the property development business were mainly attributable to the changes in sales mix and lower margin for properties sales units when compared to last year. In 2012, the revenue and operating profit were mainly contributed from the sale of Liu Garden of Baoye Four Seasons Garden, comprising detached houses and town houses, registering much higher selling prices and profit margins; whilst in 2013, the revenue and operating profit were mainly contributed from the sale of high-rise apartments with lower selling prices and profit margins.

For the year ended 31 December 2013, 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 Daban Fengqing	Shaoxing	8,592	100,707	865,321
City Green Garden Phase IV	Hefei	7,503	54,193	406,604
Jiangwan Green Garden	Shaoxing	5,358	14,575	78,099
Jiangwan Luyuan	Hangzhou	4,848	7,451	36,120

For the year ended 31 December 2013, the sales contracts of the Group's property development business amounted to approximately RMB2,400,000,000 (2012: RMB1,900,000,000) and a contract sale area of approximately 290,000 square metres, excluding property sales under joint ventures, all such sale contracts will be progressively delivered and recognised as revenue in the next two years.

Projects under development

As at 31 December 2013, the Group's projects under development are set out below:

Project Name	Location	Total Estimated Gross Floor Area under Development *(Sqms)*	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	450,000	100%
Baoye Dongcheng Square	Hefei	150,000	100%
Baoye Guanggu Lidu	Wuhan	300,000	100%
Baoye Wanhua Cheng	Shanghai	245,000	100%
Shanghai Baoye Centre	Shanghai	27,000	100%
Baoye Mengdie Luyuan	Bozhou	430,000	50%
Baoye Longhu Yucheng Phase I	Kaifeng	170,000	60%

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 and a five-star resort hotel, a country park and a central lakeside garden fully equipped with facilities. This project is developed in 12 phases, of which, Lotus Garden and Liu Garden had been delivered to owners, He Garden and Ming Garden have almost been sold out; Run Garden Phase I and Phase II, Xi Garden are under pre-sale, there are five phases expected to be developed and sold.

Management Discussion and Analysis (continued)

Baoye Dongcheng Square is located in Changjiang East Road, Hefei City, with convenient transportation and full community services. The project has a site area of approximately 63,500 square metres with an estimated gross floor area of approximately 228,500 square metres. It is a city complex project comprising residential units, commercial units and offices. It is aimed to be the landmark and commercial centre at Dongmen, east of Hefei. The commercial units have been inaugurated in October 2013 and the residential units and office units will be delivered to owners in 2014.

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 launched for pre-sale in August 2013, and was almost sold out.

Baoye Wanhuacheng, located in Huinan, 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 is to be developed in three phases, of which, phase I was launched for pre-sale in December 2013.

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 sold out and is expected to be delivered to owners in the first half of 2014, and phase II was launched for pre-sale in June 2013.

Baoye Longhu Yucheng, 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 of 170,000 square metres had been developed.

New Land Reserves

As at 31 December 2013, the Group acquired land use rights of three parcels of land in Bengbu, Bozhou, Anhui Province and Kaifeng, Henan Province at a total consideration of approximately RMB356,620,000 through public tenders and auctions. The three parcels of land, being acquired, have an aggregate land area of approximately 262,508 square metres. Details of which are set out below:

Management Discussion and Analysis (continued)

Date	Location	Total Land Cost *(RMB'000)*	Land Area *(Sqms)*	Equity Interest of the Group	Note
In August 2013	Bengbu, Anhui Province	164,500	62,560	63%	Residential
In August 2013	Kaifeng, Henan Province	58,320	107,073	60%	Residential
In October 2013	Bozhou, Anhui Province	133,800	92,875	50%	Residential

The Group continues to adopt a prudent but proactive role in land acquisition and business expansion. Most of the land reserves of the Group are located in Shaoxing, Wuhan, Shanghai, Hefei, Bozhou, Kaifeng etc, 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 2013, revenue of the Group's building materials business amounted to approximately RMB2,066,685,000, representing an increase of approximately 11% over last year; operating profit was approximately RMB72,566,000, representing a decrease of approximately 33% from last year. The building materials business constitutes a small portion of the Group's revenue and operating profit. During the year, curtain wall sector recorded a healthy growth of 19% and a commendable result, compensated by the unfavorable results in ready-mixed concrete and steel structure sectors as well as increased labor costs, the Group's building materials business suffered a decline in operating profit.

For the year ended 31 December 2013, revenue from the Group's building materials is analysed below:

	For the year ended 31 December				Change
	2013		2012		
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Curtain Wall	**1,086,414**	**52%**	915,192	49%	19%
Ready-mixed	**371,366**	**18%**	393,784	21%	–6%
Steel Structure	**245,147**	**12%**	259,525	14%	–6%
Furnishings and Interior Decorations	**262,652**	**13%**	214,556	12%	22%
Wooden Products and Fireproof Materials	**100,182**	**5%**	80,049	4%	25%
Others	**924**	**0%**	960	0%	–4%
Total	**2,066,685**	**100%**	1,864,066	100%	11%

In 2013, the Group's building materials business achieved a steady growth by sustaining market shares in existing markets and increased market shares in new markets, securing a number of premium projects, such as the curtain wall projects of CCB's subsidiary in Ningbo, Shaoxing Sports Centre, Ningbo Southern Railway Station, the decoration projects of a seven star hotel, Sanya Top Beauty Hotel, Longquan People's Hospital, and the interior decoration of Shaoxing Sports Centre. Baoye Woodwork Company also built friendly cooperation with real estate developers, becoming their nominated suppliers for wooden doors and fitting-out accessories. At the same time, the Group's brand recognition had further been improved. During the year under review, Zhejiang Baoye Curtain Wall Decoration Company Limited was awarded "Top Ten Companies in the Curtain Wall and Windows Industry in Zhejiang Province" and "Zhejiang Technological Companies"; and Zhejiang Guangyi Construction and Decoration Company Limited was awarded "Top 100 Companies in Chinese Construction Decoration Industry" and "National 100 Excellent Technological and Innovative Enterprises".

During the year under review, the Group also has had substantial development in the industrialisation of housing construction. Hefei Tianmen Lake Public Housing Project undertaken by Anhui Baoye Housing Industrialisation Company has become a "provincial new technologies sample project". In the assembly public housing project of Hefei Binhu Gui Garden, the Group made a breakthrough on the height limit of 33 floors for the assembly construction project and increased the prefabricated rate from 20% to 40%. Moreover, the Group's joint venture companies, Baoye Daiwa Industrialised Manufacturing Company and Baoye Sivert Precast Concrete Company's products of light steel structure and precast concrete assembly industrialised housing structure have been applied in use for housing projects, such as Baoye Four Seasons Garden, one hundred low-carbon housing project in Shaoxing, and Shanghai Baoye Centre, Baoye Wanghuacheng, Guanggu Lidu in Wuhan, as well as the projects of Zhijiang School of Zhejiang University of Technology and the light steel system villas in Austria and Libya.

Business Prospect

Macro operating environment

In 2013, the Central government began to carry out the policies and plans reached at the 18th National Congress of CPC, and also continued to implement the twelfth "five-year-plan". Considering the complex domestic and international situation, the new Central government executes a series of regulatory measures, including a deeper reform, open policy and transformation of new economic development model, all of which pave a solid ground for rapid and sustainable economic development, and a stable growth. Faced with these new platform and policies, the Group will seize the business opportunities of this fast development trend and expand market shares by innovative business models, transformation and enhancement of value chain, in realising healthy and new development for the Group.

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

The Group has been able to preserve its construction business growth in a prudent manner, by adopting the management philosophy that "healthy growth is better than short-term performance", and embarking on risks management policy. Moreover, the Group keeps on improving the quality of its products and services, as well as the brand recognition and competitiveness to intake premium projects on the basis of customer and market driven initiatives.

The Group will develop its construction business following the four directions set out below:

With respect to market initiative, the Group will strengthen its leadership position in existing major markets and actively explore new potential markets in western China; will reap the opportunity of new urbanisation construction and development in western China, and will increase the Group's market share in the industry and establish a new regional operation mode leveraging on its brand effect and easing out core competition.

With respect to project, the Group will enter into markets of infrastructure construction projects in water supplies, railway and transport projects and actively secure more public, landmark, and high-end projects.

With respect to business operation model, the Group will upgrade the traditional business model, promote and adopt the new contractors as project general contractor, agent construction contractor, and BT(Build – Transfer), then build a foundation for totally implementing the new construction contractor in future by learning experience in construction process.

With respect to construction technology, the Group will implement an energy-saving, emission reduction and green projects policy as advocated by the Central government in preserving green construction. By applying scientific management and technology advancements, the Group aims to achieve energy-saving, materials-saving, water-saving and being environmentally-friendly through improvement in standardisation and efficiency of construction processes. The Group will continue to build more sample low-energy and green projects by continuously fostering innovative green construction technology and accumulating green construction experience. The Group will take the green construction and technological innovation as an incentive to speed up its pace in advancement of technology and enrich development capability in the areas of quality and technology.

Property development business contributes substantial profit to the Group

The Group will continue to uphold prudent property development business. Facing the complicated macro-economic and political environment, the Group will continue to optimise its business management, integrate resources and take advantage of the capability of developing industrialised housing, aiming to improve the Group's overall performance and profit.

With respect to regional penetration, the Group will continue to position its market in second and third tier cities in Hubei, Anhui and Henan, and to focus on developing quality residential properties featured with reasonable size, livability, good location and full community service. With high quality products and service, the Group has paved a good foundation for speedy development of its property business in the second and third tier cities in the region.

Under the background of new urbanisation construction, the Group will pay more attention to new property development model, such as small cities created by the urbanisation reform policy, new rural countries, senior homes, community properties and commerce complex in town, and will make full use of its technology and experience on housing industrialisation to create a new market-driven property development model and realise the Group's transformation in the upgrading of its property development sector.

The Group preserves its land bank with good location, appropriate size, reasonable cost and appreciation potential under its prudent policy, ensuring the sustainable development of the Group's property development. In addition, the Group will speed up its developing process of land reserves, shorten project development circle and increase saleable floor area

to ensure a stable growth of the Group's overall profitability.

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

The environmental destruction and poor efficiency use of resources seriously hinders further economic development, so the Central government is eager to promote a new harmonious society to be environmentally-friendly and resources-saving. In these circumstances, energy-saving, low-carbon and green industrialised construction will be the future development trend in the industry as opposed to the traditional construction at the cost of energy-consumption and materials-consumption. Chinese housing industrialisation has entered into a golden development phase.

As one of the leaders of national housing industrialisation construction, the Group is always committed to researching and developing the industrialized housing. During the year, the Group's two joint-venture companies, Baoye Daiwa Industrialised Housing Manufacturing Company Limited and Baoye Sivert Precast Concrete Company Limited, which are located in Shaoxing Building Materials Park, have begun their operations. As of now, the Group has a complete industrialised production line and possesses the capability of standardised design, industrialised production, prefabricated construction and standardised process management. In addition, the Group has signed a strategic cooperation agreement with Shanghai Xiandai Architectural Design Company, aiming to work together on formulating the standard specifications of industrialised housing, building sample projects and industrial parks, and testing the energy-saving indexes and jointly trying to create a new combined cooperate model of "research and development-design-manufacturing-construction" in industrialised housing line.

With the development of housing industrialisation industry, being an unprecedented development, governments at all levels have pronounced a series of policies to promote housing industrialised development.

The government even required a certain proportion of industrialised products in property development projects and encouraged the application of technology products in housing industrialisation for affordable housing. The Group will seize this historical opportunity utilizing all of its advantages to actively seek such property development projects to improve its market share in industrialised housing field and achieve a great growth on profit, also achieve the transformation of traditional construction and property development models.

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 part of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 47% (2012: 25%) of the total borrowings. In addition, approximately

Management Discussion and Analysis (continued)

16% of the total borrowings (2012: 27%) 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 2013, the Group has unutilized banking facilities amounting to approximately RMB3.5 billion. Details of which are analysed below:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Cash and cash equivalents	**2,159,157**	1,612,551
Restricted bank deposits	**270,015**	213,196
Less: total borrowings	**(1,000,388)**	(845,000)
Net cash	**1,428,784**	980,747
Total equity attributable to the owners of the Company	**5,507,144**	4,986,202
Net cash ratio	**26%**	20%

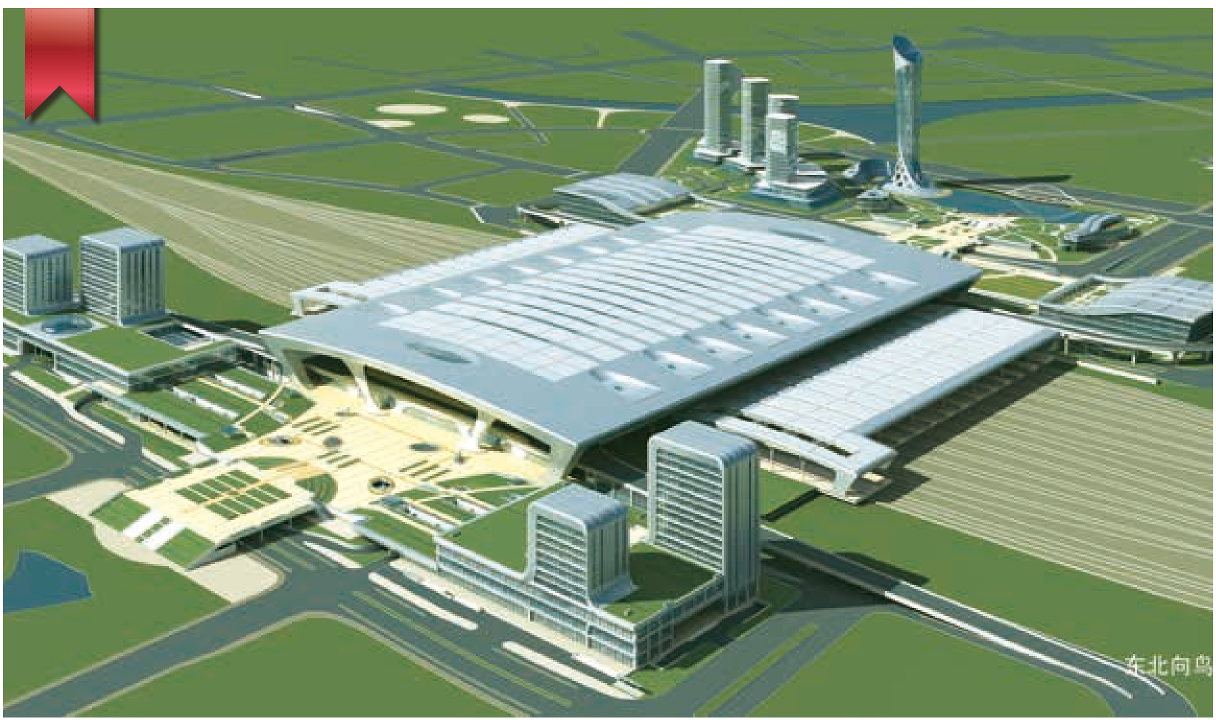
Net cash ratio = net cash/total equity attributable to the owners of the Company

Other Key Financial Ratios

	As at 31 December	
	2013	2012
Return on equity	**12%**	15%
Net assets value per share (RMB)	**8.31**	7.52
Current ratio	**1.32**	1.39

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 period under review, the return on equity represented a decrease of approximately 20.5% compared to last year due to a lower profit ratio for the recognised property sale units, but the net assets value per share still has an increase of approximately 10.5% compared to last year. As at 31 December 2013, the Group continued to maintain a net cash position with a net cash ratio of 26%, representing an increase of 30% compared to a net cash ratio of 20% of last year, which was primarily attributable to the satisfactory pre-sale of property units.



Cash Flow Analysis

		For the year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Cash inflow from operating activities	(i)	**567,771**	476,865
Cash outflow from investing activities	(ii)	**(85,294)**	(221,608)
Cash inflow/(outflow) from financing activities	(iii)	**64,129**	(521,128)
Net increase/(decrease) in cash and cash equivalents		**546,606**	(265,871)

Note:

i During the year, the net cash inflow from operating activities was approximately RMB567,771,000, an increase of approximately RMB90,906,000 compared to the net cash inflow of approximately RMB476,865,000 of last year of which was primarily attributable to the satisfactory sale performance of property units and improvement in working capital management.

ii During the year, the net cash outflow from investing activities was approximately RMB85,294,000, which was primarily due to the increased investment in property, plant, equipment and joint ventures.

iii During the year, the net cash inflow from financing activities is approximately RMB64,129,000, mainly due to the payment of the three land use rights, some of which was paid from the bank deposit, and the remaining was paid by bank borrowings, thus leading the increase of bank borrowings of the Group.

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 2013, the Group's land appreciation tax amounted to approximately RMB22,412,000.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB403,512,000 for the year ended 31 December 2013, which is about the same as that of last year of approximately RMB399,095,000, this was mainly attributed to a good management and expenditure-saving policy adopted by the Company.

Finance Costs

During the year ended 31 December 2013, the Group had registered no capital financing costs, mainly due to the fact that all such bank borrowings, which were applied for use in properties development, were entirely capitalised.

Financial Guarantee

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	**134,037**	255,736

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

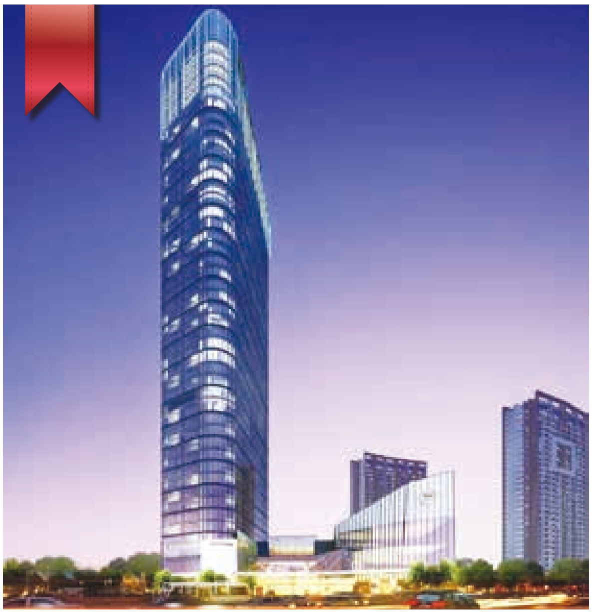
As at 31 December 2013, land use rights, property, plant and equipment and properties under development, investment properties at a total value of approximately RMB1,780,782,000 (as at 31 December 2012: RMB566,720,000) were pledged to banks as security in securing bank borrowings.

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.

Adjustment 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 adjustment 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

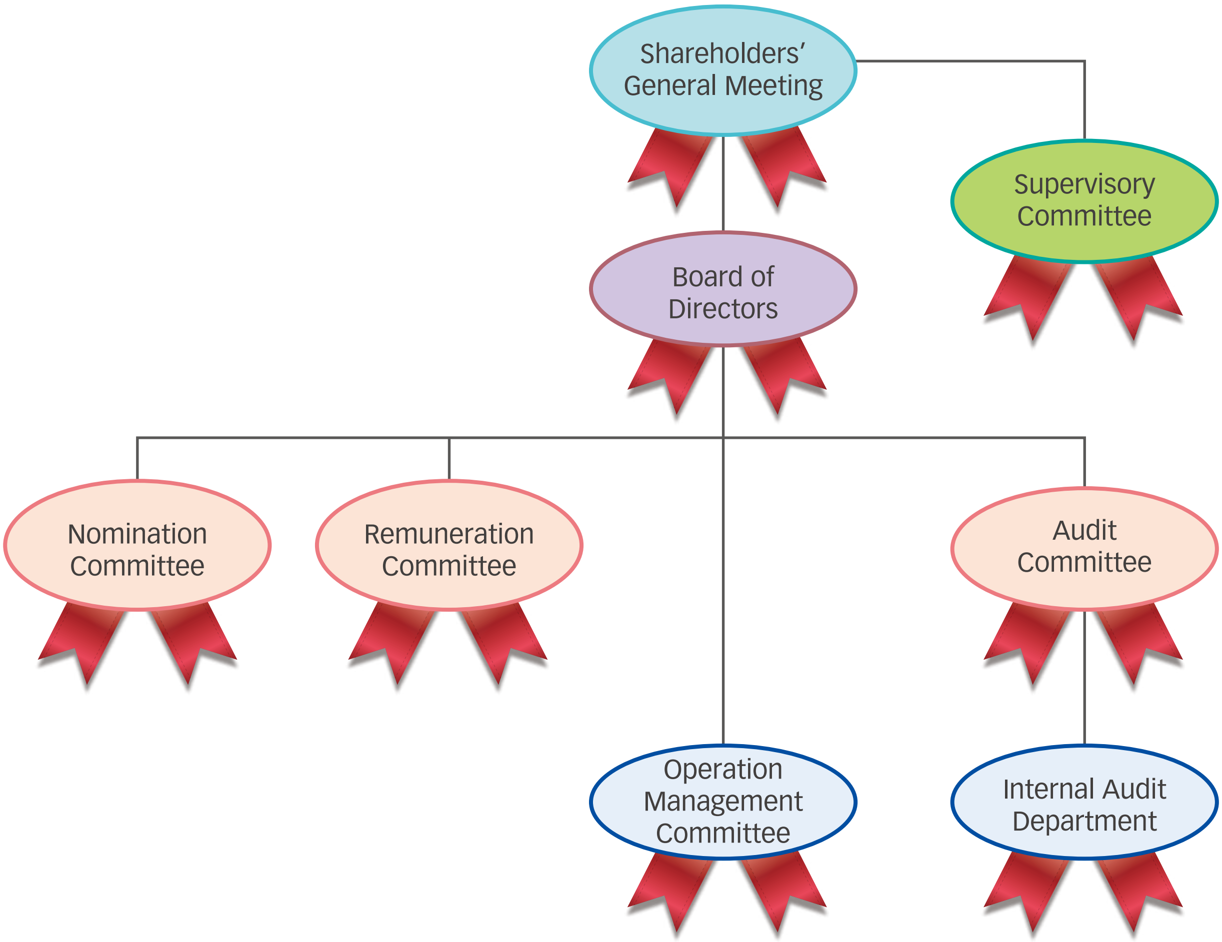
The Group is committed to establishing an efficient, orderly and transparent corporate governance mechanism. Since its listing, the Company strives to comply with the Company Law, the Listing Rules, the CG Code, which is set out in Appendix 14 to the Listing Rules and other relevant laws and regulations 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

The Company has adopted the CG Code contained in Appendix 14 to Listing Rules as its own code of corporate governance. For the year ended 31 December 2013, the Company has complied with all the code provisions as set out in the CG Code, except for deviation of provision A.2.1 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. For 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. Nevertheless, 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 2013.

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. Wang Youqing and Mr. Zhao Rulong. 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. Wang Youqing is well versed in law and government management experience. Mr. Zhao Rulong is an expert of the construction industry in China and is well acquainted in construction and administrative experience. The composition of the Board reflects a balance between effectiveness and independence in decision making process.

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 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 2013.

All members of the Board had entered into three-year service contracts with the Company respectively. According to the memorandum and articles of association of the Company, all Directors will retire by rotation in every three years at the annual general meeting of the Company, but are eligible for re-election.

Brief biographical details of the Directors are set out on pages 49 to 51 of the annual report.

Board Diversity

The Company adopted the Board Diversity Policy with periodical objectives in August 2013. The nomination committee evaluates the balance and blend of skills, experience and diversity of the Board. Selection of candidates will be based on a range of diversed perspectives, including but not limited to age, 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.

	2013 Number of individuals	2012 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 meetings during the year. 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 Company had all attended the board meetings held during the year. Directors received the notice of board meeting at least 7 days before the date on which board meeting was held and 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 2013

Name	Attendance/Number of Board meetings
Executive Directors	
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
Non-executive Director	
Mr. Fung Ching, Simon	4/4
Independent Non-executive Directors	
Mr. Chan Yin Ming, Dennis	4/4
Mr. Wang Youqing	4/4
Mr. Zhao Rulong	4/4

Independent Non-executive Directors

The composition of independent non-executive Directors of the Board complies with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors, accounting for one third of the Board. 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 Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

Directors' Training and Development

Pursuant to 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. During the year ended 31 December 2013, all Directors of the Company have attended the training about relevant rules and regulations which must be abided by Chinese companies who are listed in The Hong Kong Stock Exchange, and regularly circulated reading materials on the amendments or updates on the relevant laws, rules and regulations to all Directors as parts of the training material in the continuous professional development plan of the Company. 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, the nomination committee and the 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. Wang Youqing, 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 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 for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company. The revised 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 five meetings during the year of 2013.

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; and

– reviewing the audit fees of auditors and recommending the fees for approval by the Board.

Attendance of Audit Committee Meeting in 2013

Name	Attendance/Number of Audit Committee meetings
Mr. Chan Yin Ming, Dennis	5/5
Mr. Wang Youqing	5/5
Mr. Fung Ching, Simon	5/5

Remuneration Committee

The remuneration committee comprises two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Zhao Rulong, 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 revised 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 2013 according to its terms of reference and operation program. 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 2013

Name	Attendance/Number of Remuneration Committee meeting
Mr. Chan Yin Ming, Dennis	1/1
Mr. Zhao Rulong	1/1
Mr. Pang Baogen	1/1

Nomination Committee

The nomination committee comprises two independent non-executive Directors, namely, Mr. Wang Youqing and Mr. Zhao Rulong, and one executive Director, namely, Mr. Gao Jiming, with Mr. Wang Youqing 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 makes 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 revised terms of reference of the nomination committee are available on the websites of the Company and the Stock Exchange.

The nomination committee held one meeting in 2013 according to its terms of reference and operation program. 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 2013

Name	Attendance/Number of Nomination Committee meeting
Mr. Wang Youqing	1/1
Mr. Zhao Rulong	1/1
Mr. Gao Jiming	1/1

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 organisation, 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.

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 2013, 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 62 to 63 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

On 1 September 2005, Ms. Ngan Lin Chun, Esther was appointed as the company secretary of the Company, she is a fellow member of The Hong Kong Institute of Chartered Secretaries, which fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. Her primary corporate contact person at the Company is Ms. Chen Jianfang. 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 year, 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' class meeting and one H shareholders' class meeting, the details as follows:

Directors' Attendance of Shareholders' General Meeting and Class Meetings in 2013

Name	Attendance/Number of shareholders' general meeting and class meetings
Executive Directors	
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
Non-executive Director	
Mr. Fung Ching, Simon	3/3
Independent Non-executive Directors	
Mr. Chan Yin Ming, Dennis	3/3
Mr. Wang Youqing	3/3
Mr. Zhao Rulong	3/3

Shareholders' Rights

In accordance with Article 87 of the Company's Articles of Association, two or more shareholders holding 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 in stating the objectives of the 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 within four months from the date of receipt of the requisition by the board. Any reasonable expenses incurred by the requisitions 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, the Listing Rules and the articles of association of the Company as amended from time to time, the Company may from time to time 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. 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 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 headquater address of the Company 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.

The Supervisory Committee comprises Mr. Kong Xiangquan (chairman of the Supervisory Committee), Mr. Qian Yongjiang, Mr. Yuan Ajin and independent Supervisors, Mr. Li Yongsheng and Mr. Zhang Xindao. 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 five Supervisors attended the meetings. The Supervisory Committee has also adopted the Model Code in Appendix 10 to the Listing Rules 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 2013.

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 audit committee and the Board. 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. The Company's internal audit department has conducted special purpose auditing on certain subsidiaries of the Group during the year. It has proposed constructive recommendations for adoption by certain subsidiaries to improve their deficiencies.

Social Responsibility

The Group reckons that a good and successful corporate development cannot be sustained without the support of social development. When the Group is in the phase of rapid development, the Group never forgets its core corporate culture "corporate, market and society" by participating in charity, public interest and subsidised education, caring for social vulnerable group, supporting the nation's sustainable development and advocating green construction.

The Group has donated a total of more than RMB100,000,000 to the society in recent years. During the year, "Hefei Baoye Fund", founded in 2013, has successfully held a charitable activity of "Warming 100 impoverished persons in two festivals" together with Hefei Charity Institution, aiming to help the impoverished in society for their living, medical care and education. Anhui Baoye, a subsidiary of the Group, was honored with "Top Warming Companies" for the second time. Moreover, every year, the Group organizes its employees to participate in blood donation, revealing their sense of belonging and commitment to social responsibility.

Protecting environment and efficient use of resources is not only a civic obligation, but is also the responsibility of each enterprise. The Group always adopts the principle of "sustainable development" to render its social responsibility by protecting environment and conserving energy and resources in its business operation. For decades, the Group is committed to upgrading the traditional construction industry and investing in technology research and application in the new construction lines, which are of low-carbon, energy-saving, green and environmentally-friendly. The Group expects to realise the transformation of its development model and social sustainable development when upgrading the traditional construction methodologies and promoting the housing industrialisation in China.

Investor Relations

During the year, facing the severe challenges brought by the macro-economic regulatory measures and the volatile financial markets, the Company maintains good relations with investors and discloses accurate corporate information pertaining to corporate development strategies, operating performance, financial conditions and business prospects effectively and timely, as well as holding various investor relations' events to improve its transparency level. In order to provide more accurate and timely information to its investors and the potential investors, the Group endeavors to interact with its shareholders, investors, analysts, investment banks and financial medias and release the latest announcement, circular, interim report and annual report, as well as the Company's newsletters from time to time.

Meanwhile, the Company regularly arranges meetings between the management and investors, not only let the investors to have gained a deeper acknowledge of the Company's business and development, but also their valuable suggestions and expectation can be exchanged with the Board and the management.

Substantial Shareholders of H Shares

As at 31 December 2013, 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	9.10%	4.29%
JPMorgan Chase & Co.	21,904,000	7.02%	3.30%
Norges Bank	20,936,000	6.71%	3.16%
Top Easy Holdings Limited	16,086,000	5.15%	2.43%

Important Financial Diary

Events	Date
Issued Interim Results Announcement of 2013	On 23 August 2013
Issued Annual Results Announcement of 2013	On 28 March 2014
Closure of register of member of the Company	On 14 May 2014 to 14 June 2014 (both days inclusive) On 20 June 2014 to 27 June 2014 (both days inclusive)
Annual General Meeting of 2013	On 14 June 2014
Class meeting for holders of H Shares	On 14 June 2014
Class meeting for holders of Domestic Shares	On 14 June 2014
Payment date of the final dividend of 2013	On 18 July 2014

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 16 June 2013. All the resolutions were passed by the shareholders in voting. For details of the resolutions and results, please refer to the related announcement of the AGM which was released on 16 June 2013. All the Directors attended the AGM.

Articles of Association

During the year, there were no major changes in the Company's articles of association. As stated in the Company's announcement dated 4 April 2014, the Board proposed to amend the Company's articles of association in light of, among other things, the amendments to the Company Law which took effect on 1 March 2014. The proposed amendments to articles of association shall be approved by a special resolution of shareholders at the forthcoming annual general meeting of the Company on 14 June 2014 and by the relevant authorities of the PRC. For further details, please refer to the circular of the Company dated 25 April 2014.

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. 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 Manager 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 of 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". 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, a director 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.

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

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, a standing committee member of the Hefei Industrial and Commercial Chamber and was awarded 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, 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 Director

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 36 years of experience in public accountancy, management consultancy, manufacturing, distribution and retails, telecommunications, logistics and financial services.

Mr. Wang Youqing, born in 1946, is an independent non-executive Director and chairman of nomination committee and a member of audit committee of the Company. Mr. Wang graduated from East China University of Political Science and Law, and holds a senior district attorney qualification. Mr. Wang is a member of Communist Party of China and was a chief district attorney of the People's District Attorney Department of Shaoxing County, the chief district attorney and general secretary of the People's District Attorney Department of Shaoxing City and a deputy director of the Standing Committee of People's Congress in Shaoxing City. Mr. Wang has retired.

Mr. Zhao Rulong, born in 1948, is an independent non-executive Director and a member of remuneration committee and nomination committee of the Company. Mr. Zhao graduated from the Fudan University, majoring in history. Mr. Zhao was the secretary of Party Committee of Construction Scientific Design Research Institute and Urban-Rural Planning and Design Research Institute in Zhejiang Province, the party member of Urban-Rural Construction Department of Zhejiang Province and deputy secretary and secretary of Construction Department of Zhejiang Province. Mr. Zhao is the chairman of Construction Industry Association of Zhejiang Province and experienced in construction industry.

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. Qian Yongjiang, born in 1967, graduated from China University of Geosciences, majoring in industrial and residential construction, a qualified senior engineer. Mr. Qian is currently acting as the deputy general manager of Zhejiang Baoye Construction Group Company Limited. He joined the Group in 1984.

Mr. Yuan Ajin, born in 1949, is a qualified engineer and the deputy general manager of the equipment leasing department of Zhejiang Baoye Construction Group Company Limited, a subsidiary of the Group. He joined the Group in 1975. Mr. Yuan is one of the promoters of the Company.

Independent Supervisors

Mr. Li Yongsheng, born in 1940, is an independent Supervisor of the Company. Mr. Li was the district attorney of Shaoxing District Attorney Office. Currently, he is the honorary consultant of Shaoxing Sports Association and the vice president of the Union of Political Consultative Congress in Shaoxing City.

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, chairman of Zhuji Bafang Electricity Company and the general manager of Shaoxing Tianyi Green Power Company Limited.

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 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 is currently the representative of People's Representative Congress of Keqiao District, Shaoxing City. 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 Keqiao District 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 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 a masters degree in 2003. Mr. Jiang holds the 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 2013.

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 2013 are set out in the balance sheets of the consolidated financial statements prepared in accordance with HKFRS on pages 64 to 65.

The results of the Group for the year ended 31 December 2013 prepared in accordance with HKFRS are set out in the consolidated income statement on page 66.

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 5 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 RMB389,292,000 as at 31 December 2013 (2012: RMB456,953,000).

Dividends

At the board meeting held on 28 March, 2014, the Board proposed a final dividend of RMB0.10 (2012: RMB0.21) per ordinary share for the year ended 31 December 2013.

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 2013 is set out in note 5 to the consolidated financial statements.

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 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.

Purchase, Sale or Redemption of Shares of the Company

During the year of 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

A general mandate to repurchase H Shares was approved at the 2012 Annual General Meeting, H shareholders' class meeting and domestic shareholders' class meeting held on 16 June 2013. The Company announced to repurchase H Shares not exceeding 10% of the aggregate nominal value of H Shares in issue. Pursuant to the Company Law and the articles of association of the Company, the Company is required to notify its creditors before repurchase of shares is allowed. In this connection, the Company has made three announcements on 29 October, 8 November and 19 November 2013, respectively, notifying its creditors regarding the obtaining of a general mandate to repurchase H Shares. Pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, a director must not deal in any securities of the listed issuer during the period of 60 days immediately preceding the publication date of the annual results. The Company has complied with this Model Code accordingly. As at date of this annual report, the Company has not repurchased any H Shares in issue of the Company.

Directors and Supervisors

The Directors and Supervisors of the Company for 2013 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. Zhao Rulong

Supervisors

Supervisors

Mr. Kong Xiangquan *(Chairman of the Supervisory Committee)*
Mr. Qian Yongjiang
Mr. Yuan Ajin

Independent Supervisors

Mr. Li Yongsheng
Mr. Zhang Xindao

Changes of Directors, Supervisors and Senior Management

During the year, there was no change of Directors, Supervisors and senior management.

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 49 to 52 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.

Interests of Directors, Supervisors, Chief Executive and Senior Management

As at 31 December 2013, 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	6,612,000	30.98%
Mr. Pang Baogen	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	361,244	–	0.71%
Mr. Gao Jiming	The Company	Individual	13,024,647	–	1.96%
Mr. Gao Jiming	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	180,622	–	0.36%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.44%
Mr. Gao Lin	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Gao Jun	The Company	Individual	5,794,259	–	0.87%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.37%
Supervisors					
Yuan Ajin	The Company	Individual	4,803,572	–	0.72%
Senior Management					
Mr. Sun Guofan	The Company	Individual	11,705,283	–	1.77%
Mr. Zhou Hanwan	The Company	Individual	8,233,510	–	1.24%
Mr. Zhou Hanwan	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Wang Rongfu	The Company	Individual	7,147,039	–	1.08%
Mr. Wang Rongfu	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Lou Zhonghua	The Company	Individual	5,633,172	–	0.85%
Mr. Lou Zhonghua	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Wang Rongbiao	The Company	Individual	2,647,911	–	0.40%

Directors' and Supervisors' Service Contracts

At the 2010 annual general meeting held on 13 June 2011, 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 2013 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	HKD1.43 per H share	HKD4.05 per H share	HKD4.85 per H share	HKD10.88 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

Raised Funds and Dividend

Year	Raised Funds (HKD)	Dividend (RMB/share)	The Total Dividend (RMB)	The Full-Year Earnings (RMB)	Approximate Percentage of the 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	19%
2013	/	0.10	66,296,401	663,312,000	10%
Total	1,181,190,000		871,409,641		

Share Capital

As at 31 December 2013, there was a total share capital of 662,964,005 shares of the Company in issue, which includes:

	Number of shares	Approximate percentage of total share capital
Domestic Shares	350,742,053	52.91%
H Shares	312,221,952	47.09%
Total	662,964,005	100%

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 of not less than 25% of the Company's issued shares as required under the Listing Rules.

Connected Transactions

During the year of 2013, 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 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 2013, the Group had a total of 3,671 permanent employees (as at 31 December 2012: 3,532). Also, there were approximately 74,318 indirectly employed construction site workers (as at 31 December 2012: 74,930). These workers were not directly employed by the Group. For the year ended 31 December 2013, the total employee benefit expenses amounted to approximately RMB3,952,729,000. 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.

Model Code for Securities Transactions by Directors and Supervisors

The Board and the Supervisory Committee have adopted the Model Code contained in Appendix 10 to the Listing Rules 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 2013. 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. 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 LLP (the "PwC ZT") as the Company's PRC statutory auditor were approved at the annual general meeting held on 16 June 2013.

The remuneration of the auditors in the year 2013 is set out as follows:

	2013		2012	
	Audit fees RMB'000	**Other fees RMB'000**	Audit fees RMB'000	Other fees RMB'000
PwC Hong Kong	**3,250**	**–**	2,800	–
PwC ZT	**400**	**–**	400	–

The Company will propose a resolution at the forthcoming 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 14 May 2014 to 14 June 2014, 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, Shaoxing City, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Domestic Shares) no later than 4:30 pm on 13 May 2014.

The register of members of the Company will be closed from 20 June 2014 to 27 June 2014, 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, Shaoxing City, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Domestic Shares) no later than 4:30 pm on 19 June 2014.

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
28 March, 2014

Supervisors' Report

To the Shareholders,

In the year 2013, 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 2013 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
28 March, 2014

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 64 to 142, which comprise the consolidated and company balance sheets as at 31 December 2013, 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 notes.

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.

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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2013, 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, 28 March 2014

Consolidated and Company's Balance Sheets

As at 31 December 2013

	Note	Group As at 31 December 2013 RMB'000	Group As at 31 December 2012 RMB'000	Company As at 31 December 2013 RMB'000	Company As at 31 December 2012 RMB'000
ASSETS					
Non-current assets					
Land use rights	6	**556,586**	576,183	**5,089**	5,319
Property, plant and equipment	7	**1,185,751**	1,110,218	**24,739**	25,528
Investment properties	8	**560,013**	–	**–**	–
Goodwill	9	**16,534**	16,534	**–**	–
Investment in subsidiaries	10	**–**	–	**860,153**	814,453
Investment in joint ventures	11(a)	**49,693**	–	**99,000**	49,000
Loan to a joint venture	11(b)	**205,688**	222,854	**443,685**	413,360
Investment in associates	12(a)	**23,083**	27,888	**–**	–
Loan to associates	12(b)	**–**	35,668	**–**	–
Available-for-sale financial assets	14	**10,603**	12,109	**–**	–
Deferred income tax assets	30	**63,575**	53,603	**–**	–
		2,671,526	2,055,057	**1,432,666**	1,307,660
Current assets					
Amounts due from subsidiaries	10	**–**	–	**487,086**	800,955
Inventories	15	**170,085**	125,781	**–**	–
Properties under development	16	**3,780,913**	3,450,589	**–**	–
Completed properties held for sale	17	**1,179,160**	1,229,182	**–**	–
Due from customers on construction contracts	18	**2,338,278**	1,976,693	**–**	–
Trade receivables	19	**1,289,959**	1,291,836	**–**	–
Other receivables	20	**2,062,209**	1,721,863	**2,460**	2,760
Loan to associates	12(b)	**37,048**	–	**–**	–
Available-for-sale financial assets	14	**–**	56,320	**–**	–
Restricted bank deposits	21	**270,015**	213,196	**–**	–
Cash and cash equivalents	22	**2,159,157**	1,612,551	**170,690**	29,003
		13,286,824	11,678,011	**660,236**	832,718
Total assets		**15,958,350**	13,733,068	**2,092,902**	2,140,378
EQUITY					
Equity attributable to the owners of the Company					
Share capital	23	**662,964**	662,964	**662,964**	662,964
Share premium	23	**847,295**	847,295	**847,295**	847,295
Reserves	24	**139,534**	135,742	**147,036**	140,096
Retained earnings					
– Proposed final dividend	38	**66,296**	139,222	**66,296**	139,222
– Others	25	**3,791,055**	3,200,979	**322,996**	317,731
		5,507,144	4,986,202	**2,046,587**	2,107,308
Non-controlling interests		**103,010**	103,615	**–**	–
Total equity		**5,610,154**	5,089,817	**2,046,587**	2,107,308

	Note	Group As at 31 December 2013 RMB'000	Group As at 31 December 2012 RMB'000	Company As at 31 December 2013 RMB'000	Company As at 31 December 2012 RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	29	**242,509**	190,000	**–**	–
Deferred income tax liabilities	30	**58,929**	37,795	**–**	–
		301,438	227,795	**–**	–
Current liabilities					
Trade payables	26	**2,158,446**	1,858,504	**–**	–
Other payables	27	**1,966,302**	1,661,677	**38,565**	25,320
Receipts in advance	28	**2,612,992**	1,823,646	**–**	–
Current income tax liabilities		**651,885**	707,765	**7,750**	7,750
Due to customers on construction contracts	18	**1,899,254**	1,708,864	**–**	–
Borrowings	29	**757,879**	655,000	**–**	–
		10,046,758	8,415,456	**46,315**	33,070
Total liabilities		**10,348,196**	8,643,251	**46,315**	33,070
Total equity and liabilities		**15,958,350**	13,733,068	**2,092,902**	2,140,378
Net current assets		**3,240,066**	3,262,555	**613,921**	799,648
Total assets less current liabilities		**5,911,592**	5,317,612	**2,046,587**	2,107,308

The notes on pages 71 to 142 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 28 March 2014 and were signed on its behalf.

Pang Baogen
Director

Gao Jiming
Director

Consolidated Income Statement

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Revenue	5	**17,553,323**	17,275,899
Cost of sales	33	**(16,348,513)**	(15,815,723)
Gross profit		**1,204,810**	1,460,176
Other income	31	**70,441**	127,389
Other gains – net	32	**127,559**	55,355
Selling and marketing costs	33	**(51,671)**	(41,056)
Administrative expenses	33	**(403,512)**	(399,095)
Operating profit		**947,627**	1,202,769
Finance costs	35	**–**	–
Share of loss of joint ventures	11(a)	**(17,473)**	(14,662)
Share of loss of associates	12(a)	**(2,509)**	(5,486)
Profit before income tax		**927,645**	1,182,621
Income tax expense	36	**(258,048)**	(426,042)
Profit for the year		**669,597**	756,579
Profit attributable to:			
– Owners of the Company		**663,312**	752,256
– Non-controlling interests		**6,285**	4,323
		669,597	756,579
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB per share)	37	**1.00**	1.14
Dividends	38	**66,296**	139,222

The notes on pages 71 to 142 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Profit for the year	**669,597**	756,579
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	**(1,381)**	(1,206)
Transfer of reserves to income statement upon sale of available-for-sale financial assets, net of tax	**(2,270)**	–
Change in fair value of available-for-sale financial assets, net of tax	**900**	712
Other comprehensive income for the year, net of tax	**(2,751)**	(494)
Total comprehensive income for the year	**666,846**	756,085
Total comprehensive income attributable to:		
– Owners of the Company	**660,561**	751,762
– Non-controlling interests	**6,285**	4,323
Total comprehensive income for the year	**666,846**	756,085

The notes on pages 71 to 142 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to the owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012	662,964	847,295	116,831	2,744,064	4,371,154	76,556	4,447,710
Comprehensive income							
Profit for the year	–	–	–	752,256	752,256	4,323	756,579
Other comprehensive income							
Transfer of reserves to income statement upon sale of revalued properties	–	–	(1,206)	–	(1,206)	–	(1,206)
Change in fair value of available-for-sale financial assets	–	–	712	–	712	–	712
Total comprehensive income for the year	–	–	(494)	752,256	751,762	4,323	756,085
Contributions by and distributions to owners of the Company recognised directly in equity							
Transfer to statutory surplus reserve	–	–	16,897	(16,897)	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	10,000	10,000
Dividends	–	–	–	(139,222)	(139,222)	(756)	(139,978)
Total contributions by and distributions to owners of the Company	–	–	16,897	(156,119)	(139,222)	9,244	(129,978)
Disposal of interest in subsidiary without loss of control	–	–	2,508	–	2,508	13,492	16,000
Total transactions with owners	–	–	19,405	(156,119)	(136,714)	22,736	(113,978)
Balance at 31 December 2012	662,964	847,295	135,742	3,340,201	4,986,202	103,615	5,089,817

	Attributable to the owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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
Contributions by and distributions to owners of the Company recognised directly in equity							
Transfer to statutory surplus reserve	–	–	6,940	(6,940)	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	5,400	5,400
Dividends	–	–	–	(139,222)	(139,222)	(7,587)	(146,809)
Total contributions by and distributions to owners of the Company	–	–	6,940	(146,162)	(139,222)	(2,187)	(141,409)
Acquisition of non-controlling interests in a subsidiary (Note 42)	–	–	(397)	–	(397)	(4,703)	(5,100)
Total transactions with owners	–	–	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**

The notes on pages 71 to 142 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from operations	39	**923,490**	867,925
Interest paid		**(53,409)**	(89,518)
Income tax paid		**(302,310)**	(301,542)
Net cash generated from operating activities		**567,771**	476,865
Cash flows from investing activities			
Investment in a joint venture		**(50,000)**	–
Loan to joint ventures		**–**	(39,000)
Acquisition of interest in associates		**–**	(30,517)
Loan to associates		**–**	(34,600)
Purchase of available-for-sale financial assets		**–**	(56,000)
Purchase of property, plant and equipment		**(220,412)**	(231,746)
Proceed from sales of available-for-sale financial assets		**59,026**	–
Proceeds from sale of property, plant and equipment		**43,968**	10,523
Proceeds from sale of land use rights		**12,463**	33,411
Dividends received from associates		**600**	–
Interest received		**69,061**	126,321
Net cash used in investing activities		**(85,294)**	(221,608)
Cash flows from financing activities			
Proceeds from borrowings		**1,930,388**	2,067,100
Repayments of borrowings		**(1,775,000)**	(2,832,000)
Proceeds from the restricted bank deposits for borrowings		**–**	250,000
Dividends paid to owners of the Company		**(139,222)**	(139,222)
Proceeds from disposal of interest in subsidiaries without loss of control		**–**	16,000
Capital contributions by non-controlling interests		**5,400**	10,000
Loan from non-controlling interests		**55,250**	107,750
Acquisition of non-control interest	42	**(5,100)**	–
Dividends paid to non-controlling interests		**(7,587)**	(756)
Net cash generated from/(used in) financing activities		**64,129**	(521,128)
Net increase/(decrease) in cash and cash equivalents		**546,606**	(265,871)
Cash and cash equivalents at beginning of the year		**1,612,551**	1,878,422
Cash and cash equivalents at end of the year		**2,159,157**	1,612,551

The notes on pages 71 to 142 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 28 March 2014.

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 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.

2.1.1 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 2013 and are relevant to the Group*

- Amendment to Hong Kong Accounting Standards ("HKAS") 1, 'Financial statements presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. This amendment did not have a material impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning 1 January 2013 and are relevant to the Group (continued)

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This new standard did not have a material impact on the Group's consolidated financial statements.

- HKAS 27 (revised 2011) 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. This revised standard did not have a material impact on the Group's consolidated financial statements.

- HKFRS 11 'Joint arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. Before 1 January 2013, the Group's interest in its jointly controlled entity was accounted for under the equity method. Under HKFRS 11, the jointly controlled entity has been assessed to be a joint venture and is still accounted for under the equity method. This new standard did not have a material impact on the Group's consolidated financial statements.

- HKAS 28 (revised 2011) 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. This revised standard did not have a material impact on the Group's consolidated financial statements.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This new standard did not have a material impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning 1 January 2013 and are relevant to the Group (continued)

- Amendments to HKFRSs 10, 11 and 12 on transition guidance. These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied. These amendments did not have a material impact on the Group's consolidated financial statements.

- HKFRS 13 'Fair value measurements' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. This new standard did not have a material impact on the Group's consolidated financial statements.

- Amendment to HKFRS 7, 'Financial instruments: Disclosures' on asset and liability offsetting'. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. This amendment did not have a material impact on the Group's consolidated financial statements.

- Annual improvements 2011, address six issues in the 2009-2011 reporting cycle. It includes changes to: HKFRS 1, 'First time adoption', HKAS 1, 'Financial statement presentation', HKAS 16, 'Property plant and equipment', HKAS 32, 'Financial instruments: Presentation', IAS/HKAS 34, 'Interim financial reporting' These amendments did not have a material impact on the Group's consolidated financial statements.

- Annual improvement 2012, amendment to HKFRS 13, 'Fair value measurement. This amendment is a clarification that there is no change in measurement requirements for short-term receivables and payable when the effect of not discounting is immaterial. This amendment did not have a material impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(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 2013 and have not been early adopted

		Effective for annual periods beginning or after
HKAS 32(Amendment)	'Financial instruments: Presentation' on asset and liability offsetting	1 January 2014
HKFRS 10,12 and HKAS 27 (Amendment)	'Consolidation for investment entities'	1 January 2014
HKAS 36(Amendment)	'Impairment of assets' on recoverable amount disclosures	1 January 2014
HKAS 39(Amendment)	'Financial Instruments: Recognition and Measurement' – 'Novation of derivatives'	1 January 2014
HK(IFRIC) 21	'Levies'	1 January 2014
HKAS19	'Employee benefits'	1 July 2014
Annual improvements 2012		1 July 2014
Annual improvements 2013		1 July 2014
HKFRS 9	'Financial Instruments'	1 January 2015

The above amendments will be effective for annual periods beginning on or after 1 January 2014 and the Group is yet to assess the impact of these amendments on the Group's consolidated financial statements.

2 Summary of significant accounting policies (continued)

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 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.

(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.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

(d) 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 join 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 (Note 2.8). The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

2 Summary of significant accounting policies (continued)

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.

2.4 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.

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 Summary of significant accounting policies (continued)

2.8 Impairment of investments in subsidiaries, associates and joint ventures and other 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.

Impairment testing of the investments in subsidiaries, associates or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or 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.

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.

During the year, the Group holds financial assets in the category of loans and receivables and available-for-sale financial assets.

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), 'Restricted bank deposits' 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.

2 Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

(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".

2.10 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.

2 Summary of significant accounting policies (continued)

2.10 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, 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.

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 Summary of significant accounting policies (continued)

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.

2.16 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.

2 Summary of significant accounting policies (continued)

2.16 Construction contracts (continued)

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.

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.

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. Accounts payable 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 Summary of significant accounting policies (continued)

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.

2.21 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.

2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

(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, 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 substantially 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 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.

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 Summary of significant accounting policies (continued)

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.

(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 Summary of significant accounting policies (continued)

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.

2.26 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.

2.27 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.

2.28 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 2012 and 2013, the Group did not purchase forward contracts to hedge the foreign exchange risk.

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 2013 and 2012 are as follows:

	Group As at 31 December	
	2013	2012
	RMB'000	RMB'000
Assets		
US dollar ("USD")	**88,223**	72,174
Djibouti Franc ("DJF")	**37,934**	8,328
Botswana pula ("BWP")	**4,794**	7,701
Seychelles Rupee ("SCR")	**1,599**	954
Other foreign currencies	**456**	2,105
Liabilities		
DJF	**(71,868)**	(54,369)
BWP	**(18,735)**	(15,561)
SCR	**(4,590)**	(4,594)

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 for a 5% change in foreign currency rates. If there is a 5% increase in RMB against the relevant currencies, the effect in the profit for the year is as follows:

	Group As at 31 December	
	2013	2012
	RMB'000	RMB'000
(Decrease)/increase in profit for the year		
– USD	**(3,308)**	(2,707)
– DJF	**1,273**	1,727
– BWP	**523**	295
– SCR	**112**	136
– Other foreign currencies	**(17)**	(79)

The Company holds insignificant foreign currency denominated monetary assets and liabilities at 31 December 2013 and 2012.

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 2013, 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 2013, 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 RMB4,880,000 (2012: RMB1,900,000) as all of the interest expense for the year of 2013 (2012: 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.

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 though 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 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 (excluding other taxes 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**
At 31 December 2012					
Borrowings	655,000	190,000	–	845,000	–
Interest of borrowings	27,277	4,258	–	31,535	–
Trade payables	1,858,504	–	–	1,858,504	–
Other payables (excluding other taxes payables and salaries payables)	1,375,447	–	–	1,375,447	4,867
Financial guarantee	255,736	–	–	255,736	605,000
Total	4,171,964	194,258	–	4,366,222	609,867

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

3 Financial risk management (continued)

3.2 Capital risk 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 2013 and 2012, 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 2013 and 2012. See Note 8 for disclosures of the investment properties that are measured at fair value.

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

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

	As at 31 December 2012			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
– Equity securities	6,769	–	5,340	12,109
– Short-term investments	–	–	56,320	56,320
	6,769	–	61,660	68,429

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 2013.

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 2013.

	Equity securities RMB'000	**Short-term investments 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**

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Equity securities RMB'000	Short-term investments RMB'000	Total RMB'000
Opening balance	5,340	–	5,340
Addition	–	56,000	56,000
Fair value gain recognised in other comprehensive income	–	320	320
Closing balance	5,340	56,320	61,660

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% (2012: 10%), the revenue will be reduced by RMB53,949,000 (2012: RMB59,804,000) or increased by RMB54,369,000 (2012: RMB60,334,000).

(b) Income taxes and deferred taxation

Significant judgement and estimate are required in determining the provision for income 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.

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 best evidence on fair value of investment properties is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.
- Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

As at 31 December 2013, the fair value of the investment properties of the Group were estimated at RMB560,013,000 (2012: Nil) as reported by an independent professional valuer.

(e) Joint arrangements

The Group holds 50% and 49% of the voting rights of its two joint arrangements respectively. The Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Group's joint arrangements are structured as limited companies and provide the Group and the parties to the agreements with rights to the net assets of the limited companies under the arrangements. Therefore, these arrangements are classified as joint ventures.

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 provision of architectural and interior design services, and provision of construction equipment rental services.

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.

The segment information is as follows:

	Year ended 31 December 2013				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group 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**

5 Segment information (continued)

	Year ended 31 December 2013				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Total revenue	14,221,216	1,670,837	2,061,195	122,147	18,075,395
Inter-segment revenue	(587,042)	–	(197,129)	(15,325)	(799,496)
Revenue (from external customers)	13,634,174	1,670,837	1,864,066	106,822	17,275,899
Operating profit	464,729	638,133	107,761	(7,854)	1,202,769
Depreciation	36,573	3,596	48,780	24,354	113,303
Amortisation	7,079	–	3,499	2,605	13,183
Impairment of receivables	6,286	–	5,522	–	11,808
Share of loss of joint venture	–	14,662	–	–	14,662
Share of loss of associates	–	48	5,438	–	5,486
Income tax expense	108,829	287,635	27,238	2,340	426,042

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.

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

Analysis of revenue by category

	2013 RMB'000	2012 RMB'000
Provision of construction services	**13,961,972**	13,634,174
Sales of building materials	**2,066,685**	1,864,066
Sales of properties	**1,405,818**	1,670,837
Rental income	**12,360**	10,832
Others	**106,488**	95,990
	17,553,323	17,275,899

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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**576,183**	588,262	**5,319**	5,548
Transfer from property held for sale	**–**	8,456	**–**	–
Disposals	**(6,574)**	(7,352)	**–**	–
Amortisation	**(13,023)**	(13,183)	**(230)**	(229)
At 31 December	**556,586**	576,183	**5,089**	5,319

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Outside Hong Kong, held on:				
Leases of over 50 years	**159,593**	163,223	**–**	–
Leases of between 10 to 50 years	**396,993**	412,960	**5,089**	5,319
	556,586	576,183	**5,089**	5,319

As at 31 December 2013, total net book value of land use rights pledged as collateral for the Group's bank borrowings amounted to RMB8,831,000 (2012: RMB36,875,000) (Note 29(a)).

Notes to the Consolidated Financial Statements (continued)

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 2012						
Cost	902,883	364,858	117,700	175,609	56,032	1,617,082
Accumulated depreciation	(260,983)	(158,679)	(80,397)	(156,633)	–	(656,692)
Net book amount	641,900	206,179	37,303	18,976	56,032	960,390
Year ended 31 December 2012						
Opening net book amount	641,900	206,179	37,303	18,976	56,032	960,390
Additions	21,280	38,323	9,945	12,425	149,773	231,746
Transfer from property held for sale	44,111	–	–	–	–	44,111
Transfer	9,694	1,702	–	1,421	(12,817)	–
Disposals	(5,615)	(5,471)	(1,299)	(341)	–	(12,726)
Depreciation charge	(48,121)	(37,015)	(14,523)	(13,644)	–	(113,303)
Closing net book amount	663,249	203,718	31,426	18,837	192,988	1,110,218
At 31 December 2012						
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**

7 Property, plant and equipment (continued)

Depreciation charge of RMB52,868,000 (2012: RMB57,107,000) and RMB51,163,000 (2012: RMB56,196,000) has been expensed in cost of sales and administrative expenses, respectively.

As at 31 December 2013, total net book value of property, plant and equipment pledged as collateral for the Group's bank borrowings amounted to RMB15,005,000 (2012: Nil) (Note 29(a)).

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

	2013 **RMB'000**	2012 RMB'000
Cost	**150,755**	143,299
Accumulated depreciation at 1 January	**(46,131)**	(40,491)
Depreciation charge for the year	**(7,556)**	(5,640)
Net book amount	**97,068**	97,168
Related rental income for the year	**7,056**	10,832

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 2012				
Cost	33,464	5,964	6,328	45,756
Accumulated depreciation	(7,574)	(5,665)	(3,787)	(17,026)
Net book amount	25,890	299	2,541	28,730
Year ended 31 December 2012				
Opening net book amount	25,890	299	2,541	28,730
Additions	–	–	97	97
Depreciation charge	(1,533)	(1)	(1,765)	(3,299)
Closing net book amount	24,357	298	873	25,528
At 31 December 2012				
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**

Depreciation charge of RMB886,000 (2012: RMB3,299,000) has been expensed in administrative expenses.

8 Investment properties – Group

	2013 RMB'000	2012 RMB'000
Opening balance at 1 January	**–**	–
Transfer from property under development	**491,974**	–
Fair value change	**68,039**	–
Closing balance at 31 December, at fair value	**560,013**	–

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

	2013 RMB'000	2012 RMB'000
Rental income	**5,304**	–
Direct operating expenses from properties that generated rental income	**(1,099)**	–
Direct operating expenses from properties that did not generate rental income	**(2,369)**	–
Closing balance at 31 December	**1,836**	–

As at 31 December 2013, investment properties pledged as collateral for the Group's bank borrowings (Note 29(a)).

As at 31 December 2013, the Group had no unprovided contractual obligations for future repairs and maintenance (2012: Nil).

As at 31 December 2013, the certificate of completion and the certificate of property ownership of the Group's investment properties are currently being processed.

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 as at 31 December 2013. 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)

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

Fair value hierarchy

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 – Hefei	–	–	**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.

Fair value measurements using significant unobservable inputs (Level 3)

	Shopping malls RMB'000
Opening balance	–
Transfer from property under development	**491,974**
Net gains from fair value adjustment	**68,039**
Closing balance	**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"	**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	**68,039**

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2013 by an independent professionally qualified valuer who hold a recognised relevant professional qualification and have 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 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, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2013, the fair values of the properties have been determined by Shaoxing Zhongxing Property Surveyors Limited.

8 Investment properties – Group (continued)

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

Valuation processes of the Group (continued)

At each financial year end the finance department:

- 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.

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.

Valuation techniques

For the completed shopping malls 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 investment s 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.

8 Investment properties – Group (continued)

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

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

Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
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.

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 30%. 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 18%. The growth rate is assumed to be zero. There is no reasonable change to the assumptions would lead to an impairment charge. Based on the impairment test on the goodwill associated with Hefei Baoye Real Estate performed on 31 December 2013, no impairment provision is required.

10 Investment in and balances with subsidiaries – Company

	2013 RMB'000	2012 RMB'000
Investment at cost, unlisted	**860,153**	814,453
Amounts due from subsidiaries	**487,086**	800,955

The amounts due from subsidiaries are unsecured, interest free and are repayable on demand. As at 31 December 2013 and 2012, 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 2013, 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	Principal activities
	Directly	Indirectly		RMB'000	
浙江寶業建設集團有限公司 Zhejiang Baoye Construction Group Co., Ltd.	99%	–	1%	360,000	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.	25%	74.3%	0.7%	80,000	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%	9.9%	0.1%	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%	59.4%	0.6%	53,600	Production and sales of concrete and construction materials

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	Principal activities
	Directly	Indirectly		RMB'000	
浙江寶業木製品有限公司 Zhejiang Baoye Woodwork Co., Ltd	40%	59.4%	0.6%	31,514	Production and sales of steel, wood fireproof doors, and other wooden products
紹興寶業新型建材有限公司 Shaoxing Baoye New Building Materials Co., Ltd.	–	99.4%	0.6%	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.	–	99.9%	0.1%	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%	4.95%	0.05%	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%	–	60,000	Production and sales of concrete and construction materials
合肥寶業混凝土有限公司 Hefei Baoye Concrete Co., Ltd.	–	100%	–	12,500	Production and sales of concrete and construction materials

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

Name	Attributable equity interest held Directly	Attributable equity interest held Indirectly	Proportion of ordinary shares held by non-controlling interests	Registered capital RMB'000	Principal activities
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%	–	20,000	Development and sales of properties
寶業湖北建工集團有限公司 Baoye Hubei Construction Engineering Group Co., Ltd.	–	99.9%	0.01%	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.	–	99.9%	0.01%	81,800	Construction and construction related business
湖北省建工第三建設有限公司 Hubei Construction Engineering No.3 Co., Ltd.	–	99.9%	0.01%	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.	–	99.9%	0.01%	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.	–	99.9%	0.01%	50,190	Installation of industrial equipment

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	Principal activities
	Directly	Indirectly		RMB'000	
湖北省建工機械施工有限公司 Hubei Engineering Machinery Construction Co., Ltd.	–	99.9%	0.01%	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.	–	99.9%	0.01%	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.	–	99.9%	0.01%	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.	–	99.9%	0.01%	18,300	Provision of leasing services
安徽金糧置業有限公司 Anhui Jinliang Real Estate Company Limited	–	100%	–	172,000	Development and sales of properties
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

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	Principal activities
	Directly	Indirectly		RMB'000	
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.	–	99%	1%	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%	79.2%	0.8%	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

(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.

11 Investment in and loan to joint ventures

(a) Investment in joint ventures

Group

As of 31 December 2013 and 2012, the Group has a 49% equity interest 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.

On 22 February 2013, the Group entered into an agreement with Daiwa House (PRC) Investment Company Limited in relation to the establishment of Baoye Daiwa Industrialised House Manufacturing Company Limited ("BYD"), with 50% equity interest each, 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 2012	49,000	(40,241)	8,759
Addition	–	(8,759)	(8,759)
At 31 December 2012	49,000	(49,000)	–
Addition	**50,000**	**(307)**	**49,693**
At 31 December 2013	**99,000**	**(49,307)**	**49,693**

11 Investment in and loan to the joint ventures (continued)

(a) Investment in joint ventures (continued)

The following amounts represent the Group's share of the assets and liabilities, and revenue and results of SGB and BYD.

	SGB		BYD
	2013	2012	**2013**
	RMB'000	RMB'000	**RMB'000**
Assets			
Non-current assets	**40,823**	31,031	**5,676**
Current assets	**509,219**	560,595	**49,462**
	550,042	591,626	**55,138**
Liabilities			
Non-current liabilities	**205,688**	257,153	**–**
Current liabilities	**367,423**	340,376	**5,445**
	573,111	597,529	**5,445**
Net assets	**(23,069)**	(5,903)	**49,693**
Revenue	**147,830**	217,807	**1,479**
Cost	**(153,828)**	(231,043)	**(1,364)**
Expense	**(16,890)**	(6,314)	**(422)**
Income tax credit	**5,722**	4,888	**–**
Loss after income tax	**(17,166)**	(14,662)	**(307)**

	Company	
	2013	2012
	RMB'000	RMB'000
Investment at cost, unlisted		
– SGB	**49,000**	49,000
– BYD	**50,000**	–
	99,000	49,000

11 Investment in and loan to the joint ventures (continued)

(b) Loan to a joint venture

	Loan to SGB Group RMB'000	Company RMB'000
At 1 January 2012	189,757	348,184
Addition	39,000	39,000
Interest accrued	–	26,176
Loss exceeds interests in joint venture	(5,903)	–
At 31 December 2012	222,854	413,360
Interest accrued	**–**	**30,325**
Loss exceeds interests in joint venture	**(17,166)**	**–**
At 31 December 2013	**205,688**	**443,685**

The Group and the joint venture partner made advances to SGB in proportion to their respective shareholding. These advances are unsecured, interest bearing at 7.19% per annum in 2013 (2012: 6.67%) and the Group did not intend to withdraw the advances within one year.

During the year, interest incurred on the advances amounting to RMB30,325,000 (2012: RMB26,176,000) was fully capitalised in properties under development by SGB in its own separate financial statements. Such interest income has been eliminated in the Group's consolidated financial statements.

12 Investment in and Loan to associates – Group

(a) Investment in associates

	2013 RMB'000	2012 RMB'000
At 1 January	**27,888**	2,857
Acquisition	**–**	30,517
Disposal (i)	**(1,696)**	–
Share of losses	**(2,509)**	(5,486)
Dividends received	**(600)**	–
At 31 December	**23,083**	27,888

(i) During the year, the Group disposed of its 30% interests in Wuhan Modern Real Estate Development Co., Ltd ("武漢現代住宅開發有限公司") at nil consideration and a waiver of liabilities of RMB46,923,000 due to the associate. The carrying amount of the interests in the associate on the date of disposal was RMB1,696,000. The Group recognised a gain on disposal of the associate with the amount of RMB45,227,000 in "Other gains - net" in income statement (Note 32).

12 Investment in and Loan to associates – Group (continued)

(a) Investment in associates (continued)

As at 31 December 2013, all associates of the Company are unlisted limited liability companies incorporated and operating in the PRC, as follows:

Name	% Interest held	Measurement Method
湖北寶業幕牆門窗工程有限公司 Hubei Baoye Curtain Wall Engineering Co., Ltd.	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.	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.	29%	Equity

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

(b) Loan to associates

	2013 RMB'000	2012 RMB'000
At 1 January	**35,668**	–
Addition	**–**	34,600
Interest accrued	**1,380**	1,068
At 31 December	**37,048**	35,668

The Group has made advances to associates in the amount of RMB34,600,000 since 2012. These advances are required to be repaid on 23 February 2014, bearing interest at 4% per annum.

13 Financial instruments by category

		Group		Company
	Notes	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Loans and receivables RMB'000
Assets				
At 31 December 2013				
Available-for-sale financial assets	14	**–**	**10,603**	**–**
Trade receivables	19	**1,289,959**	**–**	**–**
Other receivables (excluding prepayments)	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**
At 31 December 2012				
Available-for-sale financial assets	14	–	68,429	–
Trade receivables	19	1,291,836	–	–
Other receivables (excluding prepayments)	20	1,254,999	–	2,760
Amounts due from subsidiaries	10	–	–	800,955
Loan to a joint venture	11(b)	222,854	–	413,360
Loan to associates	12(b)	35,668	–	–
Restricted bank deposits	21	213,196	–	–
Cash and cash equivalents	22	1,612,551	–	29,003
Total		4,631,104	68,429	1,246,078

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 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**
At 31 December 2012			
Trade payables	26	1,858,504	–
Other payables and accruals (excluding other tax payables and salaries payables)	27	1,375,447	4,867
Borrowings	29	845,000	–
Total		4,078,951	4,867

14 Available-for-sale financial assets – Group

	2013 RMB'000	2012 RMB'000
At 1 January	**68,429**	11,479
Additions	**–**	56,000
Disposals	**(59,026)**	–
Fair value gain	**1,200**	950
At 31 December	**10,603**	68,429

14 Available-for-sale financial assets – Group (continued)

Available-for-sale financial assets include the following:

	2013 RMB'000	2012 RMB'000
Non-current:		
Listed:		
– Equity securities – the PRC	**5,263**	6,769
Unlisted:		
– Equity securities – the PRC (a)	**5,340**	5,340
	10,603	12,109
Current:		
– Short-term investments (b)	**–**	56,320
	10,603	68,429

(a) Fair value of unlisted equity securities are based on cash flows discounted using a rate based on the weighted average market interest rate (2013: 4.67%; 2012: 4.65%).

(b) During the year, short-term investments were disposed of. The gain on disposals is included in "Other gains – net" in income statement (Note 32).

The maximum exposure to credit risk at the reporting date is the carrying value of these investments. These investments are all denominated in RMB.

15 Inventories – Group

	2013 RMB'000	2012 RMB'000
At cost:		
Raw materials	**54,333**	73,692
Work in progress	**47,818**	17,386
Finished goods	**67,934**	34,703
	170,085	125,781

The cost of inventories recognised as cost of sales amounted to RMB1,693,921,000 (2012: RMB1,562,986,000). No inventory provision was made as at 31 December 2013 and 2012.

16 Properties under development – Group

	2013 **RMB'000**	2012 RMB'000
Land use rights	**2,430,965**	2,502,120
Development costs	**1,252,370**	875,322
Finance costs capitalised	**97,578**	73,147
	3,780,913	3,450,589

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

	2013 **RMB'000**	2012 RMB'000
Within the normal operating cycle included under current assets		
– to be completed over one year	**1,597,359**	1,869,453
– to be completed within one year	**2,183,554**	1,581,136
	3,780,913	3,450,589

As at 31 December 2013, total carrying value of properties under development pledged as security for the Group's bank borrowings amounted to RMB1,196,933,000 (2012: RMB529,845,000) (Note 29(a)).

The carrying value of the land use rights included in properties under development is analysed as follows:

	2013 **RMB'000**	2012 RMB'000
In PRC, held on:		
Leases of over 50 years	**1,372,857**	1,088,646
Leases of between 10 to 50 years	**1,058,108**	1,413,474
	2,430,965	2,502,120

17 Completed properties held for sale – Group

	2013 **RMB'000**	2012 RMB'000
Land use rights	**412,890**	477,857
Development costs	**743,843**	733,372
Finance costs capitalised	**22,427**	17,953
	1,179,160	1,229,182

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:

	2013 **RMB'000**	2012 RMB'000
Contract costs incurred plus recognised profits (less recognised losses) to date	**49,255,458**	46,551,178
Less: progress billings to date	**(48,816,434)**	(46,283,349)
	439,024	267,829
Represented by:		
Due from customers on construction contracts	**2,338,278**	1,976,693
Due to customers on construction contracts	**(1,899,254)**	(1,708,864)
	439,024	267,829

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 2013, retentions and project deposits held by customers for contract work included in other receivables of the Group amounted to RMB1,070,721,000 (2012: RMB944,466,000) (Note 20).

19 Trade receivables – Group

	2013 **RMB'000**	2012 RMB'000
Trade receivables	**1,346,223**	1,340,053
Less: provision for doubtful debts	**(56,264)**	(48,217)
	1,289,959	1,291,836

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 2013, the ageing analysis of the trade receivables is as follows:

	2013 **RMB'000**	2012 RMB'000
Within 3 months	**562,549**	723,638
3 months to 1 year	**420,870**	368,504
1 to 2 years	**217,899**	128,887
2 to 3 years	**79,752**	65,956
Over 3 years	**65,153**	53,068
	1,346,223	1,340,053

Trade receivables that are less than 12 months past due are not considered impaired. As of 31 December 2013, trade receivables of RMB296,539,000 (2012: RMB193,469,000) 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:

	2013 **RMB'000**	2012 RMB'000
1 to 2 years	**212,537**	124,482
2 to 3 years	**68,409**	56,637
Over 3 years	**15,593**	12,350
	296,539	193,469

19 Trade receivables – Group (continued)

As of 31 December 2013, trade receivables of RMB66,265,000 (2012: RMB54,442,000) were impaired. The amount of the provision was RMB56,264,000 as of 31 December 2013 (2012: RMB48,217,000). 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:

	2013 RMB'000	2012 RMB'000
1 to 2 years	**5,362**	4,405
2 to 3 years	**11,343**	9,319
Over 3 years	**49,560**	40,718
	66,265	54,442

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

	2013 RMB'000	2012 RMB'000
At 1 January	**48,217**	36,409
Creation of provision	**8,047**	11,808
At 31 December	**56,264**	48,217

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:

	2013 RMB'000	2012 RMB'000
Denominated in:		
– RMB	**1,250,810**	1,247,699
– USD	**39,149**	44,137
	1,289,959	1,291,836

20 Other receivables

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Retention money and project deposits	**1,070,721**	944,466	**–**	–
Prepayments for land use rights for properties development	**611,047**	405,203	**–**	–
Other prepayments	**68,710**	61,661	**–**	–
Others	**311,731**	310,533	**2,460**	2,760
	2,062,209	1,721,863	**2,460**	2,760

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 are denominated in the following currencies:

	2013	2012
	RMB'000	RMB'000
Denominated in:		
– RMB	**2,054,411**	1,715,740
– DJF	**4,050**	2,872
– BWP	**3,664**	3,200
– SCR	**84**	51
	2,062,209	1,721,863

As of 31 December 2013, the amount of other receivable expected to be recovered after more than one year is RMB620,094,000 (2012: RMB661,943,000). 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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**2,287,682**	1,770,383	**170,690**	29,003
Bank deposits	**141,490**	55,364	**–**	–
	2,429,172	1,825,747	**170,690**	29,003
Denominated in:				
– RMB	**2,343,113**	1,784,744	**170,686**	28,877
– USD	**49,074**	28,037	**–**	–
– DJF	**33,884**	5,456	**–**	–
– BWP	**1,130**	4,501	**–**	–
– SCR	**1,515**	903	**–**	–
– Other currencies	**456**	2,106	**4**	126
	2,429,172	1,825,747	**170,690**	29,003
Less: Restricted bank deposits (Note 21)	**(270,015)**	(213,196)	**–**	–
	2,159,157	1,612,551	**170,690**	29,003

The effective interest rate as at 31 December 2013 of the short-term bank deposits of the Group is 1.15% (2012: 1.28%), and these deposits have original maturities of three months or less.

23 Share capital and premium

	Number of Shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2012, 31 December 2012 and 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.

As at 31 December 2013 and 31 December 2012, 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.

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 2012	4,115	3,104	123,199	(13,587)	116,831
Appropriation from retained earnings	–	–	16,897	–	16,897
Transfer of reserves to income statement upon sale of revaluated properties	(1,206)	–	–	–	(1,206)
Revaluation of available-for-sale financial assets	–	950	–	–	950
Revaluation – tax (Note 30)	–	(238)	–	–	(238)
Disposal of interest in subsidiary without loss of control	–	–	–	2,508	2,508
Balance at 31 December 2012	2,909	3,816	140,096	(11,079)	135,742
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**

24 Reserves (continued)

Company

	Statutory surplus reserve	
	2013	2012
	RMB'000	RMB'000
At 1 January	**140,096**	123,199
Appropriation from retained earnings	**6,940**	16,897
At 31 December	**147,036**	140,096

(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	**Company**
	RMB'000	RMB'000
At 1 January 2012	2,744,064	438,570
Profit for the year	752,256	174,502
Dividends paid	(139,222)	(139,222)
Transfer to statutory surplus reserve	(16,897)	(16,897)
At 31 December 2012	3,340,201	456,953
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**

As at 31 December 2013, included in retained earnings of the Group, RMB351,418,000 (2012: RMB316,028,000) is surplus reserve of subsidiaries attributable to the Company, of which RMB35,390,000 (2012: RMB45,216,000) is appropriated for the current year.

26 Trade payables – Group

As at 31 December 2013, the ageing analysis of the trade payables is as follows:

	2013 RMB'000	2012 RMB'000
Within 3 months	**859,803**	867,510
3 months to 1 year	**784,555**	490,092
1 to 2 years	**241,898**	297,755
2 to 3 years	**134,227**	85,545
Over 3 years	**137,963**	117,602
	2,158,446	1,858,504

27 Other payables

	Group		**Company**	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Deposits from project managers	**1,064,805**	842,926	**–**	–
Other taxes payables	**230,556**	203,880	**21,156**	20,453
Due to non-controlling interests (a)	**163,000**	107,750	**–**	–
Accruals	**8,812**	5,538	**–**	–
Salaries payables	**78,947**	82,350	**–**	–
Others	**420,182**	419,233	**17,409**	4,867
	1,966,302	1,661,677	**38,565**	25,320

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

28 Receipts in advance

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

29 Borrowings – Group

	2013 RMB'000	2012 RMB'000
Non-current liabilities		
Long-term bank borrowings		
– Secured (a)	**242,509**	190,000
Current liabilities		
Short-term bank borrowings		
– Secured (a)	**232,491**	25,000
– Unsecured with guarantee (b)	**165,000**	225,000
– Guarantee by the companies within the Group	**360,388**	405,000
	757,879	655,000
	1,000,388	845,000

(a) As at 31 December 2013, secured bank borrowings of the Group were secured by:

	2013 RMB'000	2012 RMB'000
Land use rights	**8,831**	36,875
Property, plant and equipment	**15,005**	–
Investment properties	**560,013**	–
Properties under development	**1,196,933**	529,845
	1,780,782	566,720

29 Borrowings – Group (continued)

(b) These loans are guaranteed by:

	2013 RMB'000	2012 RMB'000
Mr. Pang Baogen and the Company (jointly)	**165,000**	225,000

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

(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:

	2013 RMB'000	2012 RMB'000
Within 1 year	**757,879**	655,000
Between 1 and 2 years	**44,509**	190,000
Between 2 and 5 years	**198,000**	–
	1,000,388	845,000

The weighted average effective interest rates were as follows:

	2013	2012
Bank borrowings	**5.82%**	5.85%

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:

	2013 RMB'000	2012 RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**46,614**	39,326
– Deferred tax assets to be recovered within 12 months	**16,961**	14,277
	63,575	53,603
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**(44,111)**	(21,342)
– Deferred tax liabilities to be settled within 12 months	**(14,818)**	(16,453)
	(58,929)	(37,795)
Deferred tax assets – net	**4,646**	15,808

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 2012	14,474	177,637	192,111
Recognised in the income statement	1,987	(140,495)	(138,508)
At 31 December 2012	**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**

30 Deferred income tax – Group (continued)

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 2012	(1,036)	(20,385)	(17,489)	–	(38,910)
Recognised in the income statement	–	1,159	194	–	1,353
Recognised in other comprehensive income	(238)	–	–	–	(238)
At 31 December 2012	**(1,274)**	**(19,226)**	**(17,295)**	**–**	**(37,795)**
Recognised in the income statement	**756**	**1,336**	**(5,916)**	**(17,010)**	**(20,834)**
Recognised in other comprehensive income	**(300)**	**–**	**–**	**–**	**(300)**
At 31 December 2013	**(818)**	**(17,890)**	**(23,211)**	**(17,010)**	**(58,929)**

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 RMB847,876,000 (2012: RMB737,640,000) that can be carried forward against future taxable income. These tax losses will expire up to and including year 2018 (2012: 2017).

31 Other income

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

32 Other gains – net

	2013 **RMB'000**	2012 RMB'000
Government grants and compensation	**6,847**	29,526
Fair value gain on investment properties(Note 8)	**68,039**	–
Gains on disposals of an associate (Note 12(a)(i))	**45,227**	–
Gains on disposals of land use rights	**5,889**	26,059
Gains on disposals of available-for-sale financial assets	**3,026**	–
Gains/(losses) on disposals of property, plant and equipment	**3,120**	(2,203)
Gains on settlement of the long aging payables	**759**	335
Donations	**(11,486)**	(2,596)
Others	**6,138**	4,234
	127,559	55,355

33 Expenses by nature

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

	2013 **RMB'000**	2012 RMB'000
Depreciation of property, plant and equipment (Note 7)	**104,031**	113,303
Amortisation of land use rights (Note 6)	**13,023**	13,183
Employee benefit expenses (Note 34)	**3,952,729**	3,769,414
Cost of construction contracts	**9,937,034**	9,630,958
Cost of properties sold	**902,602**	967,956
Changes in inventories of finished goods and work in progress	**63,663**	26,809
Raw materials and consumables used	**1,630,258**	1,536,177
Operating leases of buildings	**12,038**	12,497
Auditors' remuneration	**3,650**	3,200
Others	**184,668**	182,377
	16,803,696	16,255,874

34 Employee benefit expenses

	2013 RMB'000	2012 RMB'000
Wages and salaries	**3,880,887**	3,702,491
Welfare, medical and other expenses	**49,422**	47,304
Retirement benefit costs – defined contribution plans (a)	**22,420**	19,619
	3,952,729	3,769,414

(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% (2012: 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.

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

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 RMB'000	Salaries, bonuses and allowances RMB'000	Retirement benefits RMB'000	Total 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	**50**	**–**	**–**	**50**
Mr. Zhao Rulong	**50**	**–**	**–**	**50**
Mr. Kong Xiangquan	**–**	**570**	**6**	**576**
Mr. Qian Yongjiang	**–**	**359**	**6**	**365**
Mr. Yuan Ajin	**50**	**–**	**–**	**50**
Mr. Zhang Xindao	**50**	**–**	**–**	**50**
Mr. Li Yongsheng	**50**	**–**	**–**	**50**
	1,110	**4,679**	**56**	**5,845**

34 Employee benefit expenses (continued)

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

The remuneration of each director and supervisor for the year ended 31 December 2012 is set out below:

Name of directors/ supervisors/ chief executive	Fees RMB'000	Salaries, bonuses and allowances RMB'000	Retirement benefits RMB'000	Total RMB'000
Mr. Pang Baogen (i)	–	900	5	905
Mr. Gao Lin	–	900	5	905
Mr. Gao Jiming	–	650	5	655
Mr. Gao Jun	–	650	21	671
Mr. Jin Jixiang	–	650	5	655
Mr. Chan Yin Ming, Dennis	180	–	–	180
Mr. Wang Youqing	50	–	–	50
Mr. Zhao Rulong	50	–	–	50
Mr. Fung Ching, Simon	180	–	–	180
Mr. Kong Xiangquan	–	549	5	554
Mr. Qian Yongjiang	–	547	5	552
Mr. Yuan Ajin	50	–	–	50
Mr. Zhang Xindao	50	–	–	50
Mr. Li Yongsheng	50	–	–	50
	610	4,846	51	5,507

(i) Mr. Pang Baogen is the Chairman of the Board, as well as the Chief executive of the Group.

During the years ended 31 December 2013 and 2012, 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 2013 and 2012.

(c) Five highest paid individuals

For the year of 2013, the 5 individuals whose emoluments were the highest in the Group for the year were all directors (2012: 5 individuals) whose emoluments are reflected in the analysis presented above.

35 Finance costs

	2013 RMB'000	2012 RMB'000
Interest on borrowings wholly repayable within five years	**53,409**	89,518
Less: interest capitalised in properties under development	**(53,409)**	(89,518)
	–	–

The capitalisation rate applied to funds borrowed generally and used for the development of properties (2012: development of properties) was approximately 6.10% (2012: 6.7%) 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 (2012: 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 were approved as High and New Technology Enterprise, and accordingly, they were subject to a reduced preferential CIT rate of 15% during the approved period according to the applicable CIT law.

Apart from the above subsidiaries, the Company and other subsidiaries are subject to CIT at a rate of 25% (2012: 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:

	2013 **RMB'000**	2012 RMB'000
Current income tax		
– PRC CIT	**249,174**	237,597
– Land appreciation tax:		
– Provision for the year	**22,412**	51,290
– Overprovision in previous years	**(24,400)**	–
Deferred income tax, net	**10,862**	137,155
	258,048	426,042

36 Income tax expense (continued)

(c) PRC land appreciation tax (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:

	2013 RMB'000	2012 RMB'000
Profit before income tax	**927,645**	1,182,621
Add: share of loss of associates	**2,509**	5,486
share of loss of joint ventures	**17,473**	14,662
	947,627	1,202,769
Calculated at a tax rate of 25% (2012: 25%)	**236,907**	300,692
Effects of different tax rates applicable to different subsidiaries of the Group	**(9,719)**	(161)
Expenses not deductible for tax purposes	**4,792**	4,876
Unrecognised tax losses	**28,307**	16,406
Utilisation of previously unrecognised tax losses	**(748)**	(2,545)
PRC land appreciation tax deductible for PRC corporate income tax purpose	**497**	(35,591)
	260,036	283,677
PRC land appreciation tax	**(1,988)**	142,365
Income tax expense	**258,048**	426,042

37 Earnings per share

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

	2013	2012
Profit attributable to the owners of the Company (RMB'000)	**663,312**	752,256
Ordinary shares in issue during the year (thousands shares)	**662,964**	662,964
Basic earnings per share (RMB)	**1.01**	1.14

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

	2013 RMB'000	2012 RMB'000
Proposed final dividend of RMB0.10 (2012: RMB0.21) per ordinary share	**66,296**	139,222

The board of directors recommend the payment of a final dividend of RMB0.10 (2012: RMB0.21) per ordinary share, totalling RMB66,296,000 (2012: RMB139,222,000). Such dividend is subject to the approval by the shareholders of the Company at the Annual General Meeting scheduled to be held on 14 June 2014. These financial statements do not reflect this dividend payable. The final dividend of RMB139,222,000 (RMB0.21 per ordinary share) for 2012 was paid in 2013.

39 Cash generated from operations

	2013 RMB'000	2012 RMB'000
Profit for the year	**669,597**	756,579
Adjustments for:		
Income tax expense (Note 36)	**258,048**	426,042
Depreciation (Note 7)	**104,031**	113,303
Amortisation of land use rights (Note 6)	**13,023**	13,183
(Gains)/Losses on disposals of property, plant and equipment (Note 32)	**(3,120)**	2,203
Gains on disposals of land use rights (Note 32)	**(5,889)**	(26,059)
Gains on disposals of available-for-sale financial assets (Note 32)	**(3,026)**	–
Gains on disposals of an associate (Note 32)	**(45,227)**	–
Transfer of reserve to income statement upon sales of revaluated properties	**(1,381)**	(1,206)
Interest income	**(70,441)**	(127,389)
Share of loss from associates (Note 12)	**2,509**	5,486
Share of loss from joint ventures (Note 11)	**17,473**	14,662
Fair value gain on investment properties (Note 32)	**(68,039)**	–
Changes in working capital:		
Increase in properties under development and completed properties held for sale	**(718,867)**	(1,051,428)
(Increase)/Decrease in restricted bank deposits	**(56,819)**	64,325
(Increase)/Decrease in inventories	**(44,304)**	18,130
Increase in balances with customers on construction contracts	**(171,195)**	(148,007)
(Increase)/Decrease in trade and other receivables	**(338,469)**	292,765
Increase in receipts in advance	**789,346**	86,077
Increase in trade and other payables	**596,240**	429,259
Cash generated from operations	**923,490**	867,925

39 Cash generated from operations (continued)

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

Group	2013 RMB'000	2012 RMB'000
Net book amount (Note 7)	**40,848**	12,726
Gains/(Losses) on disposals (Note 32)	**3,120**	(2,203)
Proceeds	**43,968**	10,523

Non-cash transactions

The principal non-cash transaction is the waiver of liabilities in connection with the disposal of an associate (Note 12(a)).

40 Financial guarantee

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	**134,037**	255,736	**–**	–
Guarantees given to banks in respect of bank loans granted to subsidiaries	**–**	–	**477,000**	605,000

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

	2013 RMB'000	2012 RMB'000
Contracted but not provided for	**1,410,443**	1,066,379

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

As at 31 December 2013, 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:

	2013 RMB'000	2012 RMB'000
Not later than one year	**2,927**	2,867
Later than one year and not later than five years	**4,982**	5,863
	7,909	8,730

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

As at 31 December 2013, 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:

	2013 RMB'000	2012 RMB'000
Not later than one year	**31,251**	10,911
Later than one year and not later than five years	**93,866**	21,050
Later than five years	**174,727**	–
	299,844	31,961

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

42 Changes in ownership interests in subsidiaries without change of control

Acquisition of non-controlling interests in a subsidiary

On 21 January 2013, the Group acquired the 25% of equity interests of Anhui Huateng Investment Co., Ltd. ("Anhui Huateng") for a consideration of RMB5,100,000 from the non-controlling interests. After the acquisition, Anhui Huateng became a wholly owned subsidiary of the Company. The carrying amount of the non-controlling interests in Anhui Huateng acquired on the date of acquisition was RMB4,703,000. The Group recognised a decrease in equity attributable to owners of the Group of RMB397,000. The effect of changes in the ownership interest of Anhui Huateng on the equity attributable to owners of the Company during the period is summarised as follows:

	2013 **RMB'000**
Carrying amount of non-controlling interests acquired	**4,703**
Consideration paid to non-controlling interests	**(5,100)**
Excess of consideration paid recognised within equity	**(397)**

43 Related-party transactions

Apart from the related party balances disclosed in Note 11, Note 12 and Note 27 and related party transactions disclosed in Note 29(b), the Group had no other significant related party transactions during the year ended 31 December 2013.

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 Daiwa	Baoye Daiwa Industrialised House Manufacturing Company Limited
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
Daiwa House	Japan's Daiwa House Industry Company Limited
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
PRC	the People's Republic of China and for the purpose of this annual report only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
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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