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寶業集團股份有限公司
BAOYE GROUP COMPANY LIMITED*

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

(Stock Code: 2355)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

- Revenue achieved approximately RMB11 billion, representing an increase of 16% from last year;
- Operating profit amounted to approximately RMB910 million, representing a robust growth of 131% from last year;
- Profit attributable to equity holders of the Company amounted to RMB502 million, soared 235% from last year;
- Earnings per share was RMB0.758, representing a significant increase of 235% compared to last year;
- A total of approximately 280,000 square metres real estate properties has been pre-sold, with a contract value exceeding RMB2.45 billion as at 31 December 2009.

The board of directors (the "Board") of Baoye Group Company Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009 prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2008. The following financial information is extracted from the audited consolidated financial statements as set out in the Group's 2009 Annual Report.

* *For identification and reference purposes only*

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000 (Restated)
Revenue	2	10,973,575	9,451,498
Cost of sales		(9,834,357)	(8,834,696)
Gross profit		1,139,218	616,802
Other income		42,763	45,343
Other gains – net	3	55,336	26,044
Selling and marketing costs		(43,205)	(25,275)
Administrative expenses		(284,316)	(268,516)
Operating profit		909,796	394,398
Finance costs		(43,706)	(97,227)
Share of losses of jointly controlled entity		(5,639)	(2,592)
Share of losses of associates		(50)	(2,347)
Profit before income tax		860,401	292,232
Income tax expense	4	(274,169)	(136,610)
Profit for the year		586,232	155,622
Attributable to:			
– Equity holders of the Company		502,239	150,044
– Minority interests		83,993	5,578
		586,232	155,622
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted (expressed in RMB per share)	5	RMB0.758	RMB0.226
Dividends	8	86,185	53,037

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2009 *RMB'000*	2008 *RMB'000* (Restated)
Profit for the year	586,232	155,622
Other comprehensive income:		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	(21,734)	(15,095)
Total comprehensive income for the year	564,498	140,527
Total comprehensive income attributable to:		
– Equity holders of the Company	480,505	134,949
– Minority interests	83,993	5,578
	564,498	140,527

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2009 RMB'000	As at 31 December 2008 RMB'000 (Restated)	As at 1 January 2008 RMB'000 (Restated)
ASSETS				
Non-current assets				
Land use rights		529,264	446,220	465,996
Property, plant and equipment		902,696	856,243	760,593
Investment properties		–	45,235	43,533
Goodwill		16,534	16,534	16,534
Properties under development		–	356,508	1,141,184
Interest in jointly controlled entity		305,556	533,958	536,550
Investment in associates		29,378	28,828	31,175
Available-for-sale financial assets		5,340	5,340	–
Deferred income tax assets		31,445	27,434	16,314
		1,820,213	2,316,300	3,011,879
Current assets				
Inventories		108,690	117,558	116,291
Properties under development		2,552,347	1,443,183	853,519
Completed properties held for sale		369,217	800,377	189,898
Due from customers on construction contracts		1,581,402	1,317,626	866,751
Trade receivables	*6*	617,593	646,345	656,635
Other receivables		1,011,054	974,822	931,352
Restricted bank deposits		239,756	462,631	248,067
Cash and cash equivalents		1,677,452	1,361,170	817,658
		8,157,511	7,123,712	4,680,171
Total assets		9,977,724	9,440,012	7,692,050

	Note	As at 31 December 2009 RMB'000	2008 RMB'000 (Restated)	As at 1 January 2008 RMB'000 (Restated)
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital		662,964	662,964	662,964
Share premium		847,295	847,295	847,295
Reserves		122,527	132,846	146,746
Retained earnings				
– Proposed final dividend	*8*	86,185	53,037	46,407
– Others		1,655,676	1,251,037	1,155,225
		3,374,647	2,947,179	2,858,637
Minority interests		104,542	43,349	37,771
Total equity		3,479,189	2,990,528	2,896,408
LIABILITIES				
Non-current liabilities				
Borrowings		310,000	187,000	120,000
Deferred income tax liabilities		64,072	77,904	88,775
		374,072	264,904	208,775
Current liabilities				
Trade payables	*7*	964,012	738,371	706,462
Other payables		859,264	766,176	622,556
Receipts in advance		1,376,476	1,244,750	689,268
Current income tax liabilities		379,267	250,051	175,790
Due to customers on construction contracts		1,209,734	850,011	541,640
Borrowings		1,335,710	2,335,221	1,851,151
		6,124,463	6,184,580	4,586,867
Total liabilities		**6,498,535**	**6,449,484**	**4,795,642**
Total equity and liabilities		**9,977,724**	**9,440,012**	**7,692,050**
Net current assets		**2,033,048**	**939,132**	**93,304**
Total assets less current liabilities		**3,853,261**	**3,255,432**	**3,105,183**

Notes:

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 investment properties and available-for-sale financial assets, 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.

Changes in accounting policies for the year ended 31 December 2009

- *Accounting policy for land use rights held for development and subsequent sales*

  During the year, the Group changed its accounting policy for land use rights held for development and subsequent sales. Land use rights held for development and subsequent sales meet the definition of both inventories under HKAS 2 "Inventories" and leasehold land under HKAS 17 "Leases". Previously, land use rights held for development and subsequent sales were classified as prepaid operating lease and payments were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. Amortisation of leasehold land during the development phase was capitalised as part of the construction cost of the property. Amortisation charges incurred prior to development, and following completion of the property, were recognised in income statement. Borrowing costs are capitalised in respect of the amortisation of the prepaid operating lease payments during the construction period. Subsequent to the change in accounting policy, land use rights held for development and subsequent sales are accounted for as inventories and measured at lower of cost and net realisable value in accordance with HKAS 2. Borrowing costs are capitalised in respect of the total prepaid operating lease payments during the construction period.

  Management believes that the new classification of land use rights results in a more relevant presentation of the financial position of the Group, and of its performance. The revised treatment reflects management's intention regarding the use of the land use rights, results in a presentation consistent with the industry practices and removes the difference in the accounting policies between the consolidated financial statements prepared under HKFRS and the statutory accounts prepared under China Accounting Standards for Business Enterprises.

  The change in accounting policy should be accounted for retrospectively in accordance with HKAS 8 "Accounting policies, changes in accounting estimates and errors". However, since development normally commenced shortly after land use rights were obtained, and a vast majority of completed properties were sold in the same period in which the respective properties were completed, substantially all amortisation charges have been capitalised in prior years and additional borrowing costs to be capitalised were not material. Accordingly, there was no material effect related to amortisation charges and borrowing costs capitalisation from the above change in accounting policy on the retained earnings as at 1 January 2008 and 31 December 2008, and the net profit and earnings per share for the year ended 31 December 2008.

The effect on the consolidated financial statements is as follows:

	As at 31 December 2009 RMB'000	2008 RMB'000	As at 1 January 2008 RMB'000
Increase in completed properties held for sale	85,149	200,248	59,141
Increase in properties under development – current	1,703,555	941,959	233,095
Decrease in land use rights – current	(1,757,704)	(1,142,207)	(292,236)
Increase in properties under development – non-current	–	302,012	1,005,643
Decrease in land use rights – non-current	–	(302,012)	(1,005,643)
Increase in deferred tax liabilities	(7,750)	–	–
Increase in retained earnings	(23,250)	–	–

	Year ended 31 December 2009 RMB'000	2008 RMB'000
Decrease in interest expenses	31,000	–
Increase in income tax expenses	(7,750)	–
Increase in net profit attributable to the equity holders of the Company	23,150	–
Increase in earnings per share (basic and diluted)	RMB0.03	–

• *Accounting policy for investment in jointly controlled entity*

Previously, the Group adopted the proportionate consolidation method under HKAS 31 to account for its interests in jointly controlled entities. During the year, the Group changed the accounting policy for investment in jointly controlled entities to equity method. This is because the equity method would provide reliable and more relevant and comparable information of its interests in a jointly controlled entity. In addition, it also removes the difference in the accounting policies between the consolidated financial statements prepared under HKFRS and the statutory accounts prepared under China Accounting Standards for Business Enterprises.

This change has no effect on the net profit and earnings per share of the Group for current year and comparative periods, and on the opening retained earning as at 1 January 2008.

The change resulted in reclassification of the balance sheet that the previous proportionately consolidated assets and liabilities have been grouped into one line of investment in jointly controlled entity, and reclassification in income statement that the previous proportionately consolidated income and expenses have been grouped into one line of share of profit/loss of jointly controlled entity as below:

	As at 31 December 2009 RMB'000	2008 RMB'000	As at 1 January 2008 RMB'000
Increase in interest in jointly controlled entity	305,556	533,958	536,550
Decrease in deferred income tax assets	(2,743)	(864)	–
Decrease in property, plant and equipment	(3,777)	(3,105)	–
Decrease in properties under development	(164,897)	(82,388)	–
Decrease in land use rights – current	(552,647)	(552,647)	–
Decrease in land use rights – non-current	–	–	(536,550)
Decrease in receivables	(10,882)	(3,501)	–
Decrease in cash and cash equivalents	(41,109)	(1,765)	(816)
Decrease in payables	347,509	110,312	816
Decrease in long-term borrowings	122,990	–	–

	Year ended 31 December	
	2009	**2008**
	RMB'000	*RMB'000*
Increase in share of losses of jointly controlled entity	5,639	2,592
Decrease in expenses	(7,518)	(3,456)
Increase in income tax expense	1,879	864

The above change in accounting policy has no impact on the financial statements of the Company where the investment in jointly controlled entity is stated at cost.

New and revised standards adopted

The following new/revised HKFRSs are mandatory for the financial year ended 31 December 2009 and relevant to the Group. They have no impact on earnings per share.

- *HKAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009)*

  The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity.

  The Group has elected to present two statements (the consolidated income statement and statement of comprehensive income). And the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

- *HKAS 23 (Revised), 'Borrowing Costs' (effective from 1 January 2009)*

  The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The accounting policy of borrowing costs currently adopted by the Group complies with the requirement of HKAS 23 (Revised).

- *HKFRS 7, 'Financial Instruments: Disclosures' (amendment) (effective from 1 January 2009).*

  The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires the disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

- *HKFRS 8, 'Operating Segment' (effective from 1 January 2009)*

  HKFRS 8 replaces HKAS 14. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purpose. Since the business segments reported by the Group in accordance with requirement of IAS 14 (excluding the segment assets and liabilities) are the same as the operating segments provided to the chief operating decision-maker, there are no material changes to the operating segments and their results on the adoption of HKFRS 8. In addition, the Group also early adopted the amendment to HKFRS 8 in the annual improvement projects published in May 2009, which allows that the total segment assets is to be disclosed only when such information is regularly provided to the chief operation decision makers, like segment liabilities under current HKFRS 8. Since the segment assets and liabilities of the Group are not regularly provided to its chief operation decision makers, no such information has been disclosed in these consolidated financial statements.

- *HK(IFRIC) 15, 'Agreements for Construction of Real Estates' (effective from 1 January 2009)*

  HK(IFRIC) 15 clarifies whether HKAS 18, 'Revenue' or HKAS 11, 'Construction contracts' should be applied to particular transactions. The accounting policy currently adopted by the Group complies with the interpretation.

2. SEGMENT INFORMATION

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

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

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

The Group's other operations mainly comprise the provision of architectural and interior design services, 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 jointly controlled entity 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.

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 provided to executive directors for the reportable segments for the year ended 31 December 2009 is as follows:

	Year ended 31 December 2009				
	Construction	Building materials	Property development	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	8,739,757	1,313,022	1,439,847	82,324	11,574,950
Inter-segment revenue	(437,352)	(160,699)	–	(3,324)	(601,375)
Revenue (from external customers)	8,302,405	1,152,323	1,439,847	79,000	10,973,575
Operating profit/(loss)	250,163	52,538	614,587	(7,492)	909,796
Depreciation	33,866	46,143	3,254	11,637	94,900
Amortisation	7,233	3,560		841	11,634
Reversal of impairment of receivables	(35)	(1,592)	(1,004)	195	(2,436)
Share of losses of jointly controlled entity	–	–	5,639	–	5,639
Share of losses of associates	–	–	50	–	50
Income tax expense	56,199	11,267	206,567	136	274,169

The segment information for the year ended 31 December 2008 is as follows:

	Year ended 31 December 2008				
	Construction	**Building materials**	**Property development**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	7,901,315	1,430,934	491,092	86,430	9,909,771
Inter-segment revenue	(247,101)	(205,727)	–	(5,445)	(458,273)
Revenue (from external customers)	7,654,214	1,225,207	491,092	80,985	9,451,498
Operating profit/(loss)	230,229	73,999	101,680	(11,510)	394,398
Depreciation	43,882	41,160	1,162	7,562	93,766
Amortisation	6,854	3,808	298	596	11,556
Impairment of receivables	1,388	506	330	192	2,416
Share of losses of jointly controlled entity	–	–	2,592	–	2,592
Share of losses of associates	–	–	2,347	–	2,347
Income tax expense	56,611	14,859	65,072	68	136,610

3. OTHER GAINS – NET

	2009	**2008**
	RMB'000	*RMB'000*
Gains on disposals of land use rights	2,589	8,778
Gains on disposals of property, plant and equipment	6,272	690
Government compensation	18,312	6,314
Write-back of other payables	–	3,746
Gains on debts restructuring	8,679	2,570
Fair value gains on investment properties	–	1,702
Gains on disposals of investment properties	15,655	–
Others	3,829	2,244
	55,336	26,044

4. INCOME TAX EXPENSE

(i) Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the year (2008: Nil).

(ii) 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.

The Company and its subsidiaries are subject to CIT at a rate of 25% (2008: 25%).

(iii) 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 expenses charged to the consolidated income statement represents:

	2009	**2008**
	RMB'000	*RMB'000*
Current income tax		
– PRC CIT	196,634	111,370
– PRC land appreciation tax	95,378	47,231
Deferred income taxes	(17,843)	(21,991)
	274,169	136,610

5. EARNINGS PER SHARE

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

	2009	**2008**
Profit attributable to the equity holders of the Company (RMB'000)	502,239	150,044
Ordinary shares in issue during the year (thousands shares)	662,964	662,964
Basic earnings per share (RMB)	RMB0.758	RMB0.226

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

6. TRADE RECEIVABLES

	2009	**2008**
	RMB'000	*RMB'000*
Trade receivables	641,123	672,311
Less: provision for doubtful debts	(23,530)	(25,966)
	617,593	646,345

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.

The net book value of trade receivables approximates their fair value. The ageing analysis of the trade receivables is as follows:

	2009	**2008**
	RMB'000	*RMB'000*
Within 3 months	238,342	283,477
3 months to 1 year	192,043	227,898
1 to 2 years	126,983	84,789
2 to 3 years	43,443	25,682
Over 3 years	40,312	50,465
	641,123	672,311

The creation and reversal 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.

7. TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	2009	**2008**
	RMB'000	*RMB'000*
Within 3 months	365,088	196,964
3 months to 1 year	332,263	264,120
1 to 2 years	131,065	163,068
2 to 3 years	67,388	52,776
Over 3 years	68,208	61,443
	964,012	738,371

8. DIVIDENDS

	2009	**2008**
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.13 (2008: RMB0.08) per ordinary share	86,185	53,037

The directors recommend the payment of a final dividend of RMB0.13 per ordinary share, totaling RMB86,185,000. Such dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 17 June 2010. These financial statements do not reflect this dividend payable. The final dividend of RMB0.08 per ordinary share in the amount of RMB53,037,000 for 2008 was paid in 2009.

According to the "Corporate Income Tax Law of the People's Republic of China" and the "Detailed Rules for Implementation of the Corporate Income Tax Law of the People's Republic of China", which came into effect on 1 January 2008, any H shares registered in the name of non-resident enterprise shareholders (including corporate nominees or trustees) are subject to a 10% withholding tax for the dividend repatriated by the Company. Accordingly, in respect of all shareholders whose names appear on the register of members for H Shares of the Company as at 17 June 2010 who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees, and other entities or organizations that are all considered as non-resident enterprise shareholders), the Company will distribute the final dividends after deducting 10% of it as income tax. The Company will not withhold and pay income tax in respect of the dividends payable to any natural person shareholders whose names appear on the Company's register of members for H Shares as at 17 June 2010.

Annual General Meeting

The annual general meeting of the Company will be held on 17 June 2010 ("AGM"). The notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in due course.

Closure of Register of Members

The register of members of the Company will be closed from 17 May 2010 to 17 June 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to attend and vote 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for holders of the Company's H Share) no later than 4:00 pm on 16 May 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the year ended 31 December 2009, the Group achieved a revenue of RMB10,973,575,000 (2008: RMB9,451,498,000), representing an increase of approximately 16% compared to the previous year; operating profit reached RMB909,796,000 (2008: RMB394,398,000), representing a robust growth of approximately 131% compared to last year; profit attributable to equity holders of the Company amounted to RMB502,239,000 (2008: RMB150,044,000), soared approximately 235% from last year; earnings per share was RMB0.758 (2008: RMB0.226), representing a significant increase of approximately 235% compared to last year.

Revenue

	2009		**2008**		**Change**
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Construction	8,302,405	76%	7,654,214	81%	+8%
Property Development	1,439,847	13%	491,092	5%	+193%
Building Materials	1,152,323	10%	1,225,207	13%	-6%
Others	79,000	1%	80,985	1%	-2%
Total	10,973,575	100%	9,451,498	100%	+16%

Operating Profit

	2009		2008		Change
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Construction	250,163	27%	230,229	58%	+9%
Property Development	614,587	68%	101,680	26%	+504%
Building Materials	52,538	6%	73,999	19%	-29%
Others	(7,492)	-1%	(11,510)	-3%	-35%
Total	909,796	100%	394,398	100%	+131%

Construction

For the year ended 31 December 2009, the Group's construction business registered a revenue of RMB8,302,405,000, up approximately 8% over last year; operating profit amounted to RMB250,163,000, representing an increase of approximately 9% over last year.

For the year ended 31 December 2009, the total contract value for construction-in-progress of the Group's construction business was RMB29,452,114,000, representing an increase of approximately 14% over last year, in which order backlog amounted to approximately RMB21 billion. In addition, new orders amounted to approximately RMB2 billion have been contracted for but not yet commenced construction works. As at 31 December 2009, the total construction order backlog value plus new construction contracts amounted to approximately RMB23 billion (31 December 2008: approximately RMB21.7 billion) in total. The total contract value for construction-in-progress of the Group's construction business is analysed below:

By project nature

	2009		2008		Change
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Government and Public Buildings	11,486,324	39%	9,835,174	38%	+17%
Urban Infrastructure	8,835,634	30%	7,505,791	29%	+18%
Residential Projects	5,301,381	18%	4,917,587	19%	+8%
Industrial Projects	3,828,775	13%	3,623,485	14%	+6%
Total	29,452,114	100%	25,882,037	100%	+14%

By region

	2009		2008		Change
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Zhejiang Province	10,897,282	37%	8,876,354	34%	+23%
Shanghai	8,541,113	29%	8,435,228	33%	+1%
Central China Region	7,363,029	25%	6,970,509	26%	+6%
Northern China Region	2,356,169	8%	1,441,126	6%	+63%
Overseas	294,521	1%	158,820	1%	+85%
Total	29,452,114	100%	25,882,037	100%	+14%

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

In 2009, the global financial tsunami had severely impacted against the China economy in many ways. The PRC government had then implemented a series of stimulating fiscal policies and the relaxation of the monetary policy, rolling out a RMB4,000 billion plan in fixed assets investment and the revamping plan of the "Ten Industries", all of which have helped the economy to recover speedily. During the year, the Group's construction business had secured new construction contracts valued at RMB12.4 billion. In this highly competitive market, new construction contracts outside Zhejiang Province accounted for 77% of total, which includes Shandong Dongying Airport Terminal Building and the connected flyovers, Wuhan Branch of People's Bank of China, Beijing Military General Hospital Complex, Phase II of Shanghai University of Political Science and Law, Sanshan Shugang Avenue in Wuhu, Fulemen International Plaza in Anhui, and State Nuclear Electricity Complex in Sanmen. The Group has also completed satisfactory delivery of Ningbo-Taizhou-Wenzhou High-speed Railway Station project, which has set a solid foundation and platform in enhancing the branding of Baoye in the construction industry.

In 2009, the construction projects undertaken by the Group in terms of quality and management have been awarded numerous industry awards and recognitions, these principal awards and recognitions include:

Project Name	**Awards**
The Hangzhou No.2 People Hospital	Qianjiang Cup
Hangzhou Binjiang Mobile Communications Building	Qianjiang Cup
Zhejiang Disease Prevention Control Center	Qianjiang Cup
The Interior Decoration Project of Wanghu Times Square	Qianjiang Cup and National Outstanding Award
The Fitting-out Project of Yinzhou Commercial Building	Qianjiang Cup and National Outstanding Award
Shanghai Jing'an Ziyuan	Baiyulan Cup
Shanghai Wanli Garden	Baiyulan Cup
Casualty Department, Huadong Hospital	Baiyulan Cup
Main Ward Complex, The Wenzhou No.2 People Hospital	Outstanding Decoration Award in Zhejiang
Hangzhou Taixuhu Holiday Hotel	Outstanding Decoration Award in Zhejiang
Jinchang • Kunlun International Business Center	Outstanding Decoration Award in Zhejiang
The Phase I Basement Project of Jindu Hangong	Chutian Cup
The Curtain Wall Project of Nanjing International Financial Center	National Outstanding Decoration Award

Property Development Business

Property Sales

During the year of 2009, the net revenue of the Group's property development business amounted to RMB1,439,847,000 (the revenue before deductions of sales tax and related levies was RMB1,522,033,000), representing an increase of approximately 193% over last year; operating profit amounted to RMB614,587,000, representing a significant increase of approximately 504% from last year.

During the year of 2009, the substantial increase in revenue and operating profit of the Group's property development business was primarily derived from the sale of City Green Garden Phase II in Hefei and Jing'an Ziyuan in Shanghai.

City Green Garden Phase II in Hefei has recorded sold units in equivalent of approximately 81,430 square metres, registering a total revenue of approximately RMB378,229,000 with an average selling price per square metre of RMB4,645; Jing'an Ziyuan in Shanghai has recorded sold units in equivalent of approximately 29,685 square metres, registering a total revenue of approximately RMB1,085,000,000 with an average selling price per square metre of RMB39,096, RMB29,026 and RMB57,295 of the residential, official and commercial units respectively. Sale of the commercial units carried forward from prior years has recorded a revenue of approximately RMB58,804,000.

Projects under development

As at 31 December 2009, the projects under development of the Group are tabulated below:

Project Name	Location	Estimated Gross Floor Area *(square metres)*	Equity Interest of the Group
Baoye Four Seasons Garden, Phase I	Shaoxing	100,000	100%
Daban Fengqing, Phase I	Shaoxing	130,000	100%
Yuyuan	Shaoxing	89,000	49%
City Green Garden, Phase II	Hefei	27,000	100%
City Green Garden, Phase III	Hefei	100,000	100%
Baoye Tongcheng Green Garden, Phase I	Hefei	100,000	100%
Baoye Moon Lake Garden	Jingmen,Hubei	82,000	100%
Xudong Yayuan	Wuhan	30,600	100%

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 civilization 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 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, garden 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 with full-fledged facilities. The construction of a total of 100,000 square metres of Baoye Four Seasons Garden Phase I has been commenced and the pre-sale is expected to begin in the year of 2010.

Daban Fengqing is located in Keqiao, Shaoxing County, having a total site area of approximately 100,000 square metres with 2.5 times plot ratio for development of residential area of 250,000 square metres. The land is in the development zone of the future central business district of Keqiao, alongside the "dual lake" district, east of Dabanhu, served by well-developed community facilities. The project will be positioned as a premier residential property in Keqiao, Shaoxing County and will be developed in two phases. Daban Fengqing Phase I has a total gross floor area of 130,000 square metres, of which 90,000 square metres has been pre-sold as at 31 December 2009.

Yuyuan, located at No.1 Yangming Road, Shaoxing City, having a total site area of approximately 180,000 square metres with a plot ratio of 0.5 times, is designated for the development of 89,000 square metres up-scale residential properties. The Group and Greentown China Holdings Limited, a listed company on The Stock Exchange of Hong Kong Limited (stock code: 3900), jointly acquired the land and will jointly develop it into a high-end property project in which the Group is interested in 49%. The land area is within the resort district of Kuaijishan Tourist Resort Zone, a prime location in Shaoxing City and is of close proximity to the Group's golf club and Baoye Four Seasons Garden. Yuyuan will be developed as a low density deluxe villa project. Yuyuan Phase I has a total of 27 deluxe villas, 26 of which have been pre-sold as at 31 December 2009.

City Green Garden is located in Yaohai District, in a prime developing zone in Hefei City, Anhui, with convenient transportation. It comprises mainly high-end properties with a portion of retail shops and offices. City Green Garden, Phase II with a total gross floor area of 170,000 square metres, of which an aggregate of 143,000 square metres have been accounted for in 2008 and 2009. The remaining 27,000 square metres of City Green Garden Phase II have been pre-sold. City Green Garden Phase III has a total gross floor area of approximately 100,000 square metres of which 70,000 have been pre-sold as at 31 December 2009.

Baoye Tongcheng Green Garden is located in Baohe District of Hefei City, Anhui, with a land area of 58,570 square metres and 2.8 times plot ratio for development of residential area of 164,000 square metres. This property comprises nine high-rise buildings including condominiums, studio flats and a commercial complex. The project sets a new model of "green quality life style" and is of close proximity to University of Science and Technology of China and supported by full community services in Hefei. Baoye Tongcheng Green Garden Phase I has a total gross floor area of 100,000 square metres. A total of 75,000 square metres have been pre-sold as at 31 December 2009.

Baoye Moon Lake Garden is located in Dongcheng District, Jingmen, Hubei, with well-developed community facilities and convenient transportation, having 1.8 times plot ratio for commercial and residential properties development and a total gross floor area of 82,000 square metres. The project comprises 22 buildings, 13 of which are high-rise buildings, 9 of which are low-rise buildings. Buildings alongside Yuelianghu Road will be developed as commercial-residential units. The pre-sale has begun since November 2009. A total of 30,000 square metres have been pre-sold as at 31 December 2009.

Xudong Yayuan is located in Wuchang District, Wuhan, with well-developed facilities and convenient transportation, having a land area of 11,000 square metres and 2.8 times plot ratio for development of small dwelling-size properties of 30,600 square metres. At present, the construction of the main building has basically finished. The pre-sale is expected to start in 2010.

Acquisition of Land Reserves

During the year, the Group has acquired two pieces of land. One of them is located at the junction of Changjiang Road East and the 2nd Ring East of Hefei and was acquired at a cost of RMB470 million, having a total land area of approximately 66,700 square metres, with a total gross floor area of 228,500 square metres. The land is located in a key metropolitan area with convenient transportation and superb community facilities rarely available in the east of Hefei City. The property project will be developed as a mixture of commercial, office, and residential units complex.

The other piece of land is located in Xiaoshan District of Hangzhou City and was acquired at a cost of RMB82.1 million. The total land area is approximately 50,000 square metres and gross floor area is approximately 75,000 square metres, with China Textile City in its front yard and surrounded by full community facilities. This property is at a prosperous but quiet location and will be developed as a green, environmental friendly and low-carbon project.

Building Materials Business

During the year of 2009, the revenue of the Group's building materials business amounted to RMB1,152,323,000, representing a decrease of approximately 6% over last year; operating profit was RMB52,538,000, representing a decrease of approximately 29% from last year.

During the year ended 31 December 2009, the revenue of the Group's building materials is analysed below:

	2009	**2008**	**Change**
	RMB'000	*RMB'000*	
Ready-mixed concrete	277,558	319,324	-13%
Curtain wall	345,697	383,568	-10%
Wood products and interior decoration	255,890	237,560	+8%
Steel structure	184,372	179,260	+3%
Concrete pipes	46,093	55,812	-17%
Large roof sheathings	11,172	10,757	+4%
Fireproof materials	16,201	22,279	-27%
Others	15,340	16,647	-8%
Total	1,152,323	1,225,207	-6%

The Group's building material products are impacted by intense competition from relevant local building materials manufacturers. The Group's profit margin in this sector of business had also saw a decline primarily due to increased operating losses that were accounted for in wood products and steel structure during the year.

With respect to construction technologies advancement, in April 2009, a national-rank research center with a focus on nine core research subjects in the areas of construction technologies and housing industrialisation has been established in and attached to the Group's research center, the Baoye Construction Research Institute, the first of its kind being associated with a private construction enterprise in China, specialising in the establishment of standards and inspection benchmarks by the 9 main laboratories. Besides, the Baoye Construction Research Institute has worked in collaboration with Zhejiang University and Zhejiang Polytechnic University in a high-tech research project in the development and application of nano-photocatalysis mixed concrete, which has passed the validation test. Nano-photocatalysis mixed concrete is a new environmental friendly construction material, which will provide impetus in upgrading the concrete and building materials industries with favorable market potential led by the country's environmental policies.

BUSINESS PROSPECT

Construction business is the platform for the Group's business development, which brings in steady and stable cash inflow

- The repercussion brought by the global financial tsunami is gradually diminishing. The recovery of the economy in China is beginning to gain momentum. The Group will capture the growing splendid opportunities in light of government stimulating economic policies and revitalization of the "Ten Industries" leveraged on its valuable experience gained in various high-end construction projects such as airport terminals, railway stations, Olympic stadium and other infrastructure projects, to gain a higher percentage of market share in the high-end construction market.

- At present, The Group has had a total construction order backlog value plus new construction contracts amounting to approximately RMB23 billion for construction-in-progress and new construction contracts in hand. The Group expects to benefit from the RMB4,000 billion fixed assets investment plan, which is now being implemented. The Group is confident to be able to get a fair share of the pie.

- The Group has primarily realized its strategic expansion plan, i.e. "going out of Zhejiang and Yangtze River, and replicating the whole nation". The Group will continue to adopt this expansion strategy to maintain its leading position in the market in Zhejiang, Shanghai, Anhui, and Hubei, explore new emerging markets opportunity, and accelerate the development of regional management control centers.

Property development business will contribute significant growth in terms of profitability to the Group

- In recent years, the PRC government has enacted and implemented a series of regulatory measures against the real estate industry. The Group believes that these measures will be able to set the direction for a more healthy, transparent, fair and equitable the real estate industry in China. The Group is also delighted to see the move that the China government has taken to increase the supply of land, and perfect the supply chain, as well as to increase the supply of social housing, economic and low cost housing to address the housing needs for the general public at large, to ease and balance out the upward trend in properties prices rather than just regulating the increase in properties prices.

- Under the steady economic growth and the accelerated speed of urbanisation in China, interest rate remains at lower level while inflation tends to rise. The situation of tangible "negative interest rate" is quite obvious. However, the lending ratio for properties mortgage with the China banks remains at low level. For this reason, the Group would have every reason to believe that China real estate industry would be a sunrise industry with prospective future.

- During the year, the pre-sale of the Group's properties has recorded very satisfactory result, of which it includes Daban Fengqing, Yuyuan, Jing'an Ziyuan, City Green Garden, Baoye Tongcheng Green Garden, Baoye Moon Lake Garden, etc. For the year ended 31 December 2009, a total of approximately 280,000 square metres has been pre-sold, with a contract value exceeding RMB2.45 billion. In addition, the Group's premier properties project, Baoye Four Seasons Garden, is scheduled for pre-sale in 2010. The Group has, in anticipation of the preference and requirements of the high-end customer, amended certain key quality features and facilities in the design and construction of these saleable units in meeting the market demand. At the same time, the market prices of high-end properties have registered a substantial increase.

Building Materials business is an important strategy to sustain continuous growth for the Group

- Before the mass media's wide coverage on the "low-carbon economy" in common use, the Group has already devoted to developing green and environment friendly building materials. This move has been in sync with policies and legislations of encouraging and supporting the development of "low-carbon economy" industries adopted by the PRC government. Therefore, it will provide tremendous growth and development opportunities for the Group's building materials business. The Group has now been able to position itself as one of the leading companies in China by transforming research methodologies into mass production and establishing research and testing laboratories for residential housing in accordance with international standards.

- At present, the majority of residential housing in domestic cities of China does not meet the expected improvement in living standards in terms of comfort level and energy saving, which would be the driving force for replacement and, as a result of which, would provide a huge market demand for industrialised building materials.

- The rural economy in the Yangtze Delta region takes a lead in the China economy, where the requirement for housing emerges from quantity to quality. The housing industrialisation in village or county tends to maximise utility on resources, minimise waste and pollution, and environmental friendly to ensure its continuous development. Therefore, the future prospect for housing industrialisation is great in the rural communities where replacement of quality residential housing units call for a big demand and will provide a healthy return for the Group's building materials business. The Company is actively negotiating with the relevant government authorities for co-development of "New Village" project.

Riding on the economic prosperity of China, the Group relies on its core capabilities in brand building to optimize construction project management, acquire land resources from different sources at reasonable cost, develop the commercial industrialised building materials technologies and attract management expertise to enhance management control and capability. We are confident of our profitability prospect in the future and are well prepared for Baoye's continuous development.

Financial Review

Treasury Policies

The Group has adopted prudent financial policies and exercise tight risk management control over its investment, financing and use of fund. Our capital structure has always remained sound and solid. The Group will adjust its investment, financing and capital structure from time to time according to sustainable development needs and internal resources available, with a view to optimising the capital structure of the Group.

The Group has established a financial settlement center, which centralises funding for all 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 recognized by the People's Bank of China in 2009. Such excellent credit rating will benefit the Group's financing activities and allows the Group to continue to enjoy the prime rate offered by the People's Bank of China. During the year, the Group maintained most of its borrowings on an unsecured basis. The amount of secured debt accounted for 26% (2008: 9%) of the total borrowings. In addition, approximately 19% of the total borrowings (2008: approximately 35%) were jointly guaranteed by the chairman of the Board, Mr. Pang Baogen, in his personal capacity and subsidiaries of the Group 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.

During the year, net cash inflow is terrific primarily due to the satisfactory result of pre-sale properties. The financial position of the Group has turned from a net gearing ratio of 24% in 2008 to a net cash ratio of 8% in 2009. Details of which are analysed below:

	As at 31 December	
	2009	**2008**
	RMB'000	*RMB'000*
Cash and cash equivalents	1,677,452	1,361,170
Restricted bank deposits	239,756	462,631
Less: total borrowings	(1,645,710)	(2,522,221)
Net cash/(borrowings)	271,498	(698,420)
Total equity attributable to the Company's equity holders	3,374,647	2,947,179
Net cash/gearing ratio	8%	24%

Besides, the Group has unutilised banking facilities amounting to approximately RMB4 billion as at 31 December 2009 (31 December 2008: approximately RMB3 billion). The Group maintains a very strong financial position and sufficient financial resources to meet its future expansion and development.

Key Financial Ratios

	As at 31 December	
	2009	**2008**
Return on equity	14.9%	5.1%
Net assets value per share (RMB)	5.09	4.45
Net cash ratio	8%	–
Net gearing ratio	–	24%
Current ratio	1.33	1.15

Return on equity	=	profit attributable to equity holders of the Company/total equity attributable to the Company's equity holders
Net assets value per share	=	net assets/shares in issue at the end of the year
Net cash ratio	=	net cash/total equity attributable to the Company's equity holders
Net gearing ratio	=	net bank borrowings/total equity attributable to the Company's equity holders
Current ratio	=	current assets/current liabilities

During the year, profit attributable to equity holders of the company amounted to RMB502,239,000. The return on equity saw a growth of 192% compared to last year. Because profit for the year was substantial, net assets value per share saw a commendable growth. As at 31 December 2009, the Group is in a net cash position with a net cash ratio of 8% compared to the net gearing ratio of 24% of 2008. This strong financial position was mainly attributable to the acceleration of property sales and satisfactory pre-sale results. In addition, our real current ratio should have been better than 1.33 as the sales receipts from pre-sale properties were accounted for as "receipts in advance" under current liabilities. Repayment of these advances dose not exist and it will be recognised as revenue as and when purchased units are delivered to purchasers.

Cash Flow Analysis

		For the year ended 31 December	
		2009	**2008**
	Note	*RMB'000*	*RMB'000*
			(Restated)
Net cash inflow from operating activities	*(i)*	1,157,203	168,208
Net cash inflow/(outflow) from investing activities	*(ii)*	101,427	(129,359)
Net cash (outflow)/inflow from financing activities	*(iii)*	(942,348)	504,663
Increase in cash and cash equivalents		316,282	543,512

Note:

(i) During the year, the net cash inflow from operating activities was RMB1,157,203,000, an increase of RMB988,995,000 when compared to that of 2008, net cash inflow of RMB168,208,000, which was primarily attributable to the satisfactory pre-sale of properties units resulting from Daban Fengqing, City Green Garden, Baoye Tonfcheng Green Garden and Baoye Moon Lake Garden.

(ii) During the year, net cash inflow from investing activities was RMB101,427,000, an increase of RMB230,786,000 when compared to that of 2008, net cash outflow of RMB129,359,000, which was primarily attributable to the disposal of Shaoxing Baoye Building Materials Shopping Center which was previously accounted for as an investment property (recorded under "other gains – net" of the income statement), carrying a net cash inflow of RMB60,890,000. The net cash inflow from interest income amounted to approximately RMB42,763,000.

(iii) During the year, the net cash outflow from financing activities was RMB942,348,000, an increase of RMB1,447,011,000 when compared to that of 2008, net cash inflow of RMB504,663,000, which was primarily attributable to increased in redemption of bank borrowings.

Land Appreciation Tax

On 28 December 2006, the State Administration of Taxation pronounced a circular in respect of the rules and regulations pertaining to land appreciation tax applicable to real estate and property development enterprises in clearing their pending tax assessment. The land appreciation tax came into effect in 1993. The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial and Accounting Reporting Standards in accounting for such tax provision. Besides, the Group is an integrated enterprise with construction, property development and building materials as its three main businesses. Therefore, the financial impact resulting from the tax pronouncement towards the Group's operating results will not be very significant.

External Guarantee and Fulfillment

	2009	**2008**
	Rmb'000	*Rmb'000*
Guarantees given to banks in respect of mortgage facilities granted to third parties	146,091	50,830

The Group has issued performance guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by the subsidiaries of the Group. The banks will release such guarantee 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 2009, land use rights, buildings and properties under development at a total value of approximately RMB1,016,859,000 (as at 31 December 2008: RMB428,029,000) were pledged to banks as security in securing bank borrowings.

Capital Expenditure Plan

In consideration of the uncertainties brought by the global financial tsunami, the Group adopts a prudent approach in capital expenditure spending to secure our cash resources on a safety basis. The Group does not have major capital expenditure plan, but will increase its investment in acquisition of land and relevant businesses at appropriate timing with reasonable cost.

Adjustment of RMB Exchange Rate and Foreign Exchange Risks

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

CONNECTED TRANSACTIONS

During the year of 2009, the Group had no connected transaction that would require disclosure under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year of 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

HUMAN RESOURCES

As at 31 December 2009, the Group had approximately 3,725 permanent employees (2008: approximately 3,710). There are approximately 63,050 indirectly employed construction site workers (2008: approximately 62,700). These workers are not directly employed by the Group. Total staff costs amounted to RMB1,486,682,000 (2008: RMB1,394,403,000) for the year ended 31 December 2009. Remuneration is determined by reference to market terms as well as the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include pension and medical insurance coverage. The Group highly values human resources management, and devotes to establishing a high quality team to support its long term business development. The Board is currently working on to devise and implement a more effective employee incentive plan.

LITIGATION AND ARBITRATION

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

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the year ended 31 December 2009, except that the role of the chief executive officer of the Group has been assumed by Mr. Pang Baogen, the chairman of the Board.

Three general managers have been appointed 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Board and the supervisory committee have adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the directors. Having made specific enquiries with all directors and supervisors, all directors and supervisors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2009.

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive directors, Mr. Wang Youwei (chairman), Mr. Yi Deqing and Mr. Chan Yin Ming, Dennis. The audit committee held two meetings during the year. All three members attended the meetings. The audit committee has discussed the accounting policies, the critical accounting estimates and assumptions, the audit objectives and the scope of the Group's internal audit department with management. They also discussed with the auditors on their audit plans and key audit areas. The audited consolidated financial statements and the annual results announcement of the Group for the year ended 31 December 2009 had been reviewed by the audit committee before submission to the Board for adoption and approval.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The full text of the Group's 2009 Annual Report will be sent to the shareholders of the Company and posted on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

APPRECIATION

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

By order of the Board
Baoye Group Company Limited*
Chairman
Pang Baogen

Zhejiang, the People's Republic of China
29 March 2010

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Pang Baogen, Mr. Gao Lin, Mr. Gao Jiming, Mr. Zhou Hanwan and Mr. Wang Rongfu; and five independent non-executive directors, namely Mr. Wang Youwei, Mr. Yi Deqing, Mr. Hu Shaozeng, Mr. Chan Yin Ming, Dennis and Mr. Sun Chuanlin.

* *For identification and reference purposes only*