宝业
BAOYE

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 2010

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 2010 prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2009. The following financial information is extracted from the audited consolidated financial statements as set out in the Group's 2010 Annual Report.

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2010	**2009**
	Note	*RMB'000*	*RMB'000*
Revenue	*2*	12,055,243	10,973,575
Cost of sales		(11,104,052)	(9,834,357)
Gross profit		951,191	1,139,218
Other income		41,593	42,763
Other gains – net	*3*	172,405	55,336
Selling and marketing costs		(34,766)	(43,205)
Administrative expenses		(318,324)	(284,316)
Operating profit		812,099	909,796
Finance costs		(35,594)	(43,706)
Share of losses of jointly controlled entity		(4,034)	(5,639)
Share of losses of associates		(299)	(50)
Profit before income tax		772,172	860,401
Income tax expense	*4*	(225,747)	(274,169)
Profit for the year		546,425	586,232
Attributable to:			
– Equity holders of the Company		527,875	502,239
– Non-controlling interests		18,550	83,993
		546,425	586,232
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted (expressed in RMB per share)	*5*	0.796	0.758
Dividend	*8*	106,074	86,185

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2010	**2009**
	RMB'000	*RMB'000*
Profit for the year	546,425	586,232
Other comprehensive income:		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	(33,601)	(21,734)
Change in fair value of available-for-sale financial assets, net of tax	4,132	–
Other comprehensive income for the year, net of tax	(29,469)	(21,734)
Total comprehensive income for the year	516,956	564,498
Total comprehensive income attributable to:		
– Equity holders of the Company	498,406	480,505
– Non-controlling interests	18,550	83,993
	516,956	564,498

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2010	**2009**
	Note	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		556,193	529,264
Property, plant and equipment		912,660	902,696
Goodwill		16,534	16,534
Investment in jointly controlled entity		36,735	40,769
Loans to jointly controlled entity		103,187	264,787
Investment in associates		2,555	29,378
Available-for-sale financial assets		12,849	5,340
Deferred income tax assets		29,353	31,445
		1,670,066	1,820,213
Current assets			
Inventories		106,648	108,690
Properties under development		3,202,726	2,552,347
Completed properties held for sale		575,855	369,217
Due from customers on construction contracts		1,494,272	1,581,402
Trade receivables	*6*	700,404	617,593
Other receivables		1,160,172	1,011,054
Restricted bank deposits		101,269	239,756
Cash and cash equivalents		1,947,888	1,677,452
		9,289,234	8,157,511
Total assets		10,959,300	9,977,724
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		662,964	662,964
Share premium		847,295	847,295
Reserves		100,871	122,527
Retained earnings			
– Proposed final dividend	*8*	106,074	86,185
– Others		2,056,077	1,655,676
		3,773,281	3,374,647
Non-controlling interests		56,197	104,542
Total equity		3,829,478	3,479,189

		As at 31 December	
		2010	**2009**
	Note	*RMB'000*	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		70,000	310,000
Deferred income tax liabilities		46,975	64,072
		116,975	374,072
Current liabilities			
Trade payables	*7*	1,177,108	964,012
Other payables		1,105,716	859,264
Receipts in advance		2,706,300	1,376,476
Current income tax liabilities		463,368	379,267
Due to customers on construction contracts		1,065,192	1,209,734
Borrowings		495,163	1,335,710
		7,012,847	6,124,463
Total liabilities		7,129,822	6,498,535
Total equity and liabilities		10,959,300	9,977,724
Net current assets		2,276,387	2,033,048
Total assets less current liabilities		3,946,453	3,853,261

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 available-for-sale financial assets, which are carried at fair value.

New and amended standards adopted by the Group

The following new standards and amendments to standards, which have been published and are mandatory for the financial year beginning on 1 January 2010, are relevant to the Group:

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations, with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

  The Group has applied this revised standard prospectively from 1 January 2010 but no business combination occurred in 2010.

- As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'Consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) contained consequential amendments to HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures'.

  The Group has applied this revised standard from 1 January 2010 and therefore, the Group changed its accounting policy for transactions with non-controlling interests from 1 January 2010.

  Previously transactions with non-controlling interests were treated as transactions with external parties of the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

  Since the Group applied this revised standard prospectively, there were no adjustments that were considered necessary to any of the amounts previously recognised in the financial statements.

2. SEGMENT INFORMATION

The chief operating decision-maker mainly includes 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
- 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, 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. 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 provided to executive directors for the reportable segments for the year ended 31 December 2010 is as follows:

	Year ended 31 December 2010				
	Construction	**Property development**	**Building materials**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	10,103,707	912,505	1,632,048	129,819	12,778,079
Inter-segment revenue	(568,757)	–	(143,139)	(10,940)	(722,836)
Revenue (from external customers)	9,534,950	912,505	1,488,909	118,879	12,055,243
Operating profit	357,285	364,452	76,885	13,477	812,099
Depreciation	32,963	2,668	43,803	17,278	96,712
Amortisation	7,016	–	3,058	2,522	12,596
Impairment of receivables	2,420	(61)	(1,190)	(34)	1,135
Share of losses of jointly controlled entity	–	4,034	–	–	4,034
Share of losses of associates	–	299	–	–	299
Income tax expense	58,059	144,890	19,076	3,722	225,747

The segment information for the year ended 31 December 2009 is as follows:

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

3. OTHER GAINS – NET

	2010	2009
	RMB'000	*RMB'000*
Gains on disposal of land use rights	65,195	2,589
Government compensations	49,547	18,312
Gains on disposal of subsidiaries	24,097	–
Gains on disposal of property, plant and equipment	17,695	6,272
Gains on debt restructuring	7,477	8,679
Gains on disposal of investment properties	–	15,655
Others	8,394	3,829
	172,405	55,336

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 (2009: 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% (2009: 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 expense charged to the consolidated income statement represents:

	2010	**2009**
	RMB'000	*RMB'000*
Current income tax		
– PRC CIT	168,113	196,634
– PRC land appreciation tax	74,017	95,378
Deferred income taxes, net	(16,383)	(17,843)
	225,747	274,169

5. EARNINGS PER SHARE

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

	2010	**2009**
Profit attributable to the equity holders of the Company (RMB'000)	527,875	502,239
Ordinary shares in issue during the year (thousands shares)	662,964	662,964
Basic earnings per share (RMB)	0.796	0.758

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

6. TRADE RECEIVABLES

	2010	**2009**
	RMB'000	*RMB'000*
Trade receivables	725,069	641,123
Less: provision for doubtful debts	(24,665)	(23,530)
	700,404	617,593

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:

	2010 *RMB'000*	2009 *RMB'000*
Within 3 months	373,206	238,342
3 months to 1 year	159,149	192,043
1 to 2 years	78,624	126,983
2 to 3 years	62,310	43,443
Over 3 years	51,780	40,312
	725,069	641,123

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:

	2010 *RMB'000*	2009 *RMB'000*
Within 3 months	562,819	365,088
3 months to 1 year	361,712	332,263
1 to 2 years	96,539	131,065
2 to 3 years	56,550	67,388
Over 3 years	99,488	68,208
	1,177,108	964,012

8. DIVIDEND

	2010 *RMB'000*	2009 *RMB'000*
Proposed final dividend of RMB0.16 (2009: RMB0.13) per ordinary share	106,074	86,185

The directors recommend the payment of a final dividend of RMB0.16 (2009: RMB0.13) per ordinary share, totaling RMB106,074,000 (2009: 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 13 June 2011. These financial statements do not reflect this dividend payable. The final dividend of RMB86,185,000 (RMB0.13 per ordinary share) for 2009 was paid in 2010.

According to the "Enterprise Income Tax Law of the People's Republic of China" and the "Detailed Rules for Implementation of the Enterprise 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 13 June 2011 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 dividend after deducting 10% of it as income tax. The Company will not withhold and pay income tax in respect of the dividend payables to any natural person shareholders whose names appear on the Company's register of members for H Shares as at 13 June 2011.

Annual General Meeting

The annual general meeting of the Company will be held on 13 June 2011 ("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 13 May 2011 to 13 June 2011, 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 p.m. on 12 May 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the year ended 31 December 2010, the Group achieved a consolidated revenue of RMB12,055,243,000 (2009: RMB10,973,575,000), representing an increase of approximately 10% compared to the previous year; operating profit reached RMB812,099,000 (2009: RMB909,796,000), representing a decrease of approximately 11% compared to last year; profit attributable to the equity holders of the Company amounted to RMB527,875,000 (2009: RMB502,239,000), representing an increase of approximately 5% compared to last year; earnings per share was RMB0.796 (2009: RMB0.758), representing an increase of approximately 5% compared to last year. In 2010, the decline in operating profit was primarily due to the significant drop of 37% in revenue and 7% drop in gross profit margin that were registered in our property development business, the higher profit contribution sector of our business, compared to last year. The decline in profitability in the property development business was partially offset by the continued growth and improvement in the construction and building materials business for the Group's profitability taken as a whole.

Revenue

	2010		**2009**		**Change**
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Construction	9,534,950	79%	8,302,405	76%	15%
Property Development	912,505	8%	1,439,847	13%	-37%
Building Materials	1,488,909	12%	1,152,323	10%	29%
Others	118,879	1%	79,000	1%	50%
Total	12,055,243	100%	10,973,575	100%	10%

Operating Profit

	2010		**2009**		**Change**
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Construction	357,285	44%	250,163	27%	43%
Property Development	364,452	45%	614,587	68%	-41%
Building Materials	76,885	9%	52,538	6%	46%
Others	13,477	2%	-7,492	-1%	N/A
Total	812,099	100%	909,796	100%	-11%

Construction Business

For the year ended 31 December 2010, the Group's construction business registered a revenue of RMB9,534,950,000, representing an increase of approximately 15% over last year; operating profit amounted to RMB357,285,000, representing an increase of approximately 43% over last year.

For the year ended 31 December 2010, the total contract value for construction-in-progress of the Group's construction business was RMB34,390,752,000, representing an increase of approximately 17% over last year, details of which are analysed below:

By project nature

	2010		**2009**		**Change**
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Government and Public Buildings	12,036,763	35%	11,486,324	39%	5%
Urban Infrastructure	9,629,411	28%	8,835,634	30%	9%
Residential Projects	7,565,965	22%	5,301,381	18%	43%
Industrial Projects	5,158,613	15%	3,828,775	13%	35%
Total	34,390,752	100%	29,452,114	100%	17%

By region

	2010		**2009**		**Change**
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Zhejiang Province	11,692,856	34%	10,897,282	37%	7%
Shanghai	8,941,595	26%	8,541,113	29%	5%
Other Eastern China Region	3,095,167	9%	2,356,169	8%	31%
Central China Region	5,846,428	17%	4,417,817	15%	32%
Northern China Region	3,095,168	9%	2,356,169	8%	31%
Other Regions	756,597	2%	589,043	2%	28%
Overseas*	962,941	3%	294,521	1%	227%
Total	34,390,752	100%	29,452,114	100%	17%

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

In 2010, the Group continues to adopt "brand building to gain market recognition and technologies advancement to develop new markets", regionalise operational centers, enhance risk management control, enhance management and business structure, maintain and explore home and new markets as its operational philosophies. During the year, the Group's construction business had secured new construction contracts valued at approximately RMB14 billion (2009: RMB12.4 billion), representing a growth of approximately 13% compared to last year. The new construction contracts outside Zhejiang province accounted to above 70% of total, which include the premium construction projects of Shangyu-Yuci stations of Hangzhou-Ningbo Railway, Phase II of Xinjiang Fulida, the Research and Development Center of "Internet of Things" in Shanghai, Punan Hospital Building Complex in Shanghai, the Headquarter of Bolonghu Group in Tianjin Economic Zone, the Incubating Centre of Ganzhou in Jiangxi, and Zigong Garden in Chongqing, etc.

The overseas construction business maintains a good growing trend. During the year, the new construction contracts valued at USD18,880,000 (2009: USD15,820,000), representing a growth of approximately 19% from last year.

In 2010, the construction projects undertaken by the Group in terms of quality and project management have been awarded numerous industry awards and recognitions. The Group has a total of 114 award-winning construction projects and received 6 national awards and 56 provincial awards, 2 for Luban Awards, and 1 for Zhantianyou Award for the first time during the year. These principal awards and recognitions include:

Project Name	**Awards**
People's Procuratorate of Shaoxing City Shijiazhuang Broadcast & Television Building Complex	Luban Award
Phase VIII of Dajun East Lake, Jiangsu (Eton Town)	Zhantianyou Award
Hangzhou Alibaba Software Production Base	National Outstanding Award
Hangzhou Taixu Lake Holiday Inn Sanmen Chamber of Commerce Building	National Outstanding Decoration Award
Yueqing Administrative Center Green Town Lijiang Building	Qianjiang Cup
Jing'an Ziyuan Shanghai Institute of Technology Fengxian School Huadong Hospital Emergency Building Wanyuan Community	Baiyulan Cup
Yichang No.1 People's Hospital	Chutian Cup
Qiuyue Garden of Green Town Lily Garden Suzhou Shangjie International New World Building	Huangshan Cup

Property Development Business

Property Sales

In 2010, the net revenue of the Group's property development business amounted to RMB912,505,000 (the revenue before deductions of sales tax and related levies was RMB921,015,000), representing a decrease of approximately 37% over last year; operating profit amounted to RMB364,452,000, representing a decrease of approximately 41% from last year.

In 2010, revenue from property development business was mainly attributable to the sale of properties located in the second and third tier cities where average selling prices were significantly lower than that of the average selling prices last year, leading to lower revenue and operating profit.

In 2010, revenue was primarily derived from the sales of the projects tabulated below:

Project	Location	Average Selling Price	Selling Areas	Revenue
		RMB/ Square metre	*Square metres*	*RMB'000*
City Green Garden Phase II and Phase III	Hefei	4,602	109,076	501,990
Baoye Moon Lake Garden	Jingmen Hubei	2,156	67,728	146,031
Jing'an Ziyuan	Shanghai	42,595	3,689	157,133

In 2010, local governments issued strict and detailed regulatory rules to regulate the real estate market, which include tightening credit lending, imposing new properties tax and restrictions on new unit purchases, which have resulted in market prices of real estate properties higher at the beginning of the year and lower in the end of the year. The Group responded favorably to market changes and has acquired desired results in pre-sale units. In 2010, the total pre-sold units approximated to 250,000 square metres, its total contract valued at approximately RMB2.6 billion. With expected solid improvement in both revenue and gross profit margin, the revenue of these pre-sold units will be recognised and accounted for in the current year's and next year's financial results. The construction of these pre-sold units has been progressing well and the Group is confident that these units will be completed and delivered according to plan.

Projects under development

As at 31 December 2010, 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	Shaoxing	525,000	100%
Daban Fengqing	Shaoxing	280,000	100%
Yuyuan	Shaoxing	89,000	49%
Yangxun Commercial Center	Shaoxing	36,000	100%
Jiangwan Green Garden	Shaoxing	49,000	100%
City Green Garden, Phase IV	Hefei	100,000	100%
Baoye Tongcheng Green Garden	Hefei	173,000	100%
Baoye Dongcheng Square	Hefei	228,500	100%
Baoye Xudong Yayuan	Wuhan	31,000	100%
Jiangwan Luyuan	Hangzhou	67,000	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 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 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. Approximately 68,000 square metres of Baoye Four Seasons Garden Phase I have been pre-sold with encouraging results.

Daban Fengqing is located in Keqiao, Shaoxing County, having a total site area of approximately 100,000 square metres and an estimated gross floor area of 280,000 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 has been developed in two phases. Daban Fengqing Phase I with an estimated gross floor area of 130,000 square metres has been sold out and is expected to be delivered to owners in 2011. Besides, Daban Fengqing Phase II with an estimated gross floor area of 150,000 square metres has been pre-sold in 2010 with satisfactory results.

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 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. As at 31 December 2010, 27 villas of Phase I and 29 villas of Phase II have been sold out.

Yangxun Commercial Center, located in the center of Yangxunqiao Township, Shaoxing County, has a site area of approximately 10,000 square metres with 3.68 times plot ratio and an estimated gross floor area of 36,000 square metres. This project consists of residential, commercial units and agricultural products market complex. The pre-sale of the project has begun in the second half of 2010 with satisfactory results.

Jiangwan Green Garden is located in Yangxunqiao, Shaoxing County, has a total site area of 37,870 square metres and an estimated gross floor area of 49,000 square metres. The project consists of high-rise residential building, villas, town houses and some commercial units with beautiful scenery and convenient transportation. The planning work is going on well.

City Green Garden is located in Yaohai District, in a prime developing zone in Hefei City, Anhui, with convenient transportation. It mainly comprises high-end properties with a portion of retail shops and offices. City Green Garden has a total gross floor area of approximately 520,000 square metres, developed in four phases, of which Phase I, Phase II and Phase III has been recognised in the past few years including the year of 2010. City Green Garden Phase IV, with an estimated gross floor area of 100,000, is under development.

Baoye Tongcheng Green Garden is located in Baohe District of Hefei City, Anhui, with a site area of 58,570 square metres and 2.8 times plot ratio for development of residential area of 173,000 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 is being developed in two phases, Tongcheng Green Garden Phase I, with an estimated gross floor area of 100,000 square metres has been sold out and is expected to be delivered to owners in 2011. Tongcheng Green Garden Phase II, with an estimated gross floor area of 73,000 square metres has been pre-sold in 2010 with satisfactory results.

Baoye Dongcheng Square is located in Changjiang East Road, the business center in Hefei, with convenient transportation and full community services. The project has a site area of 63,500 square metres with a gross floor area of 228,500 square metres. It's a city complex, consisting of residential, commercial units and offices. It is aimed to be developed as the landmark and commercial center at Dongmen, east of Hefei. The construction has been commenced in the second half of 2010 and is expected to be pre-sold in 2011.

Baoye Xudong Yayuan is located in Xudong Road, Wuchang District, Wuhan, with well-developed facilities and convenient transportation, having a total site area of 21,000 square metres and 2.8 times plot ratio for development of small dwelling-size properties of approximately 31,000 square metres. This project is being positioned as a low-density living community which is uncommon in downtown areas. As at 31 December 2010, the project has been entirely sold out.

Jiangwan Luyuan is located in Xiaoshan District, Hangzhou, having a total site area of approximately 50,000 square metres and a total gross floor area of approximately 67,000 square metres, facing the China Textile City with good location and convenient transportation and community facilities. The project will be developed into a low-carbon, green and environmental-friendly residential community with multi-storey building and townhouse. At present, the preparation works for the project are underway.

Land Reserves

During the year of 2010, pursuant to the Group's development strategy, the Group acquired two parcel of land by public tender. The aggregate land area amounted to approximately 101,370 square metres and the aggregate gross floor area amount to approximately 277,500 square metres. At present, the Group's land reserves are sufficient for the property development in the coming 3 to 5 years. The Group continues to adopt the prudent principle in acquiring new land bank, where appropriate, to meet the Company's development strategy and market conditions.

Building Materials Business

In 2010, the revenue of the Group's building materials business amounted to RMB1,488,909,000, representing an increase of approximately 29% over last year; operating profit was RMB76,885,000, representing an increase of approximately 46% over last year.

In 2010, the revenue of the Group's building materials is analysed below:

	2010 *RMB'000*	**2009** *RMB'000*	**Change**
Ready-mixed concrete	366,529	277,558	32%
Curtain wall	499,835	345,697	45%
Wooden products and interior decorations	320,243	255,890	25%
Steel structure	201,123	184,372	9%
Concrete pipes	50,438	46,093	9%
Fireproof materials	33,756	16,201	108%
Others	16,985	15,340	11%
Total	1,488,909	1,152,323	29%

In 2010, benefiting from the government's initiative in infrastructural construction, the revenue of the Group's building materials business saw a corresponding increase. Significant increase in profit contribution was primarily attributed to the steady growth from ready-mixed concrete, and rapid profit increase from curtain wall and fireproof materials and the elimination of low margin products.

After more than a decade of continuous research and development, the Group's residential industrialisation of housing has achieved three applications: (1) serving the traditional large-scale construction projects; (2) improving the quality of traditional residential housing; and (3) developing low-carbon residential industrialised housing having a life span of 100 years.

In terms of the research and development of new building materials: Nanophotocatalysis 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. Also, Ready-mixed concrete C15, C20, and C25 are considered as multipurpose-use products.

In terms of research and development of residential housing technology: the research and application of the composite retaining system in the green energy-saving industrialised residential housing, by researching materials component, connection measures and functions like waterproof, heat preservation, heat insulation and sound insulation, realising energy saving, mass production and on-site fabrication. So far, the Group had finished 5,000 square metres industrialised housing projects.

In terms of the research and development of low-rise dwelling packed technology and structural system: new steel structure system for low-rise dwelling is innovative with favorable market potential, which has been applied for use in several housing projects in China. At the same time, more than 5,000 square metres industrialised housing with structural system have been exported to Angola, Sudan and India, etc.

Prospect

Operation Prospect

The world economy is expected to resume its growth momentum in 2011. China's macro-economic policies are primarily drawn from the principles of preserving continuous economic growth, implementing structural changes, upbringing people's livelihood, and ensuring social stability through exercising of stringent and pro-active fiscal and monetary policies and measures. The Group expects an increase in the increased investments in fixed assets to boost domestic consumption. Under a series of austerity measures and administrative intervention undertaken by the Chinese government, the real estate market will have a medium term adjustment, but with the government policies to uplift the people's livelihood and increased in urbanisation in second and third tier cities, which will provide enormous growing and development potential in the longer term. The Group's products in energy saving, environmental-friendly, residential industrialised housing, and green and low-carbon housing would greatly benefit from the government development policies towards the building and construction industries and the Group would be able to capture this unprecedented growth opportunity that is emerging in China.

Business Prospect

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

- To follow the national macro-economic policy guidance of the PRC closely; to take active participation in the large-scale construction projects and infrastructural projects as well as its related investment markets and to enhance high-end construction market share in airport, railway, and highway.

- To implement new business model, such as BT (Build-Transfer) and BOT (Build-Operate-Transfer), etc.

- To actively participate in the construction of affordable housings. In 2011, China plans to invest over RMB1.3 trillion in the country's social security housing construction, aiming to build 10 million units, which will see an increase of 72% compared to 5.8 million units in 2010, accounting for 20% of the People's Republic of China's total property investment. It is a huge market that no one can ignore, and the demand for construction of affordable housing would definitely call for a golden opportunity that the Group will not miss.

Property development business is a support for the Group's business development, contributing substantial profits

- To continue adopting the Group's prudent developing strategy and expansion plans, to increase land bank by public tender or auction and acquisition. The Group's focus will be on rare land targets nearby city centre in the second and third tier cities in Hubei and Anhui, Central China.

- Based on market demand and the prevailing property development project, the Group will adjust business development strategy to shorten project development cycle and to speed up the process of development of land reserves in anticipation of increased sales floor area and in preparation for, in all material respect, keen market competition.

- During the year of 2010, the total pre-sold units approximated to 250,000 square metres, having a total contract valued at approximately RMB2.6 billion. With expected solid improvement in both revenue and gross profit margin, the revenue of these pre-sold units will be recognised and accounted for in the current year's and next year's financial results.

- The restrictions imposing on new unit purchases in certain cities are to restrain the speculative demand, where real estate properties prices have surged too fast and too high. However, at the same time, the demand for affordable housing, popular priced residential housing and city center housing remains strong, which will be the target of the Group's property business and development in the coming three to five years.

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

- To rely on the Group's advantage in technology research, combine technologies advancement with land reserves, and to emphasize on development of green and low-carbon residential housing. At the same time, the Group intends to provide full range of product lines and services as well as quality products in establishing bridges and links with sizable enterprises.

- With the Baoye Hubei Company's overseas production base, trying to explore the possibility of building overseas residential industrialised housing production base.

- To make full use of the Group's advanced laboratories, inspection and testing equipment, and branding to develop the business of third parties inspection and rating services.

- In 2011, the Group will add an additional automated production line for building materials in Shaoxing Material Construction Industrialised Base, the project's site area is about 40,000 square metres and is expected to produce 500 residential industrialised housing units and approximately 150,000 square metres of green and low-carbon healthy housing units per annum capacity after completion.

Financial Review

Treasury 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 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 2010. 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 approximately 42% (2009: 26%) of the total borrowings. In addition, approximately 28% of the total borrowings (2009: 19%) were jointly guaranteed by the chairman of the Board, Mr. Pang Baogen, the Group and the subsidiaries 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.

In 2010, due to the good results in property pre-sale, the Group's financial position has been satisfactory and has maintained a net cash inflow. It has sufficient capital resource to expand its business, details of which are analysed below:

	As at 31 December	
	2010	**2009**
	RMB'000	*RMB'000*
Cash and cash equivalents	1,947,888	1,677,452
Restricted bank deposits	101,269	239,756
Less: total borrowings	(565,163)	(1,645,710)
Net cash	1,483,994	271,498
Total equity attributable to the Company's equity holders	3,773,281	3,374,647
Net cash ratio	39%	8%

Key Financial Ratios

	As at 31 December	
	2010	**2009**
Return on equity	14.0%	14.9%
Net assets value per share (RMB)	5.69	5.09
Net cash ratio	39%	8%
Current ratio	1.32	1.33

Return on equity	=	profit attributable to the 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
Current ratio	=	current assets/current liabilities

During the year of 2010, profit attributable to equity holders of the Company were RMB527,875,000, an increase of approximately 5% compared to last year. Total equity attributable to the Company's equity holders increased approximately 12% compared to last year. Such increase posted a slight reduction of return on equity and an increase of approximately 12% of the net assets value per share compared to last year. At the end of 2010, the Group is in the position of net cash, having an improved net cash ratio at 39%. The Group's financial position is much stronger compared to last year due to satisfactory results attributable to sale of pre-sale units. Besides, a large portion of bank borrowings was repaid during the year. The net bank borrowings were RMB565,163,000, representing a decrease of 66% compared to last year.

Cash Flow Analysis

		For the year ended 31 December	
		2010	**2009**
	Note	*RMB'000*	*RMB'000*
Net cash inflow from operating activities	*(i)*	1,353,338	1,157,203
Net cash inflow from investing activities	*(ii)*	135,923	101,427
Net cash (outflow) from financing activities	*(iii)*	(1,218,825)	(942,348)
Increase in cash and cash equivalents		273,696	316,282

Note:

(i) During the year, the net cash inflow from the operating activities was RMB1,353,338,000, an increase of RMB196,135,000 compared to last year, net cash inflow of RMB1,157,203,000, which was primarily attributable to the satisfactory pre-sale of property units and cash inflow.

(ii) During the year, the net cash inflow from the investing activities was RMB135,923,000, an increase of RMB34,496,000 compared to last year, net cash inflow of RMB101,427,000, which was mainly attributable to the increase of disposal of land use rights, properties, plants, and equipment compared to last year and the decrease of land purchase.

(iii) During the year, the net cash outflow from the financing activities was RMB1,218,825,000, increasing RMB276,477,000 compared to net cash outflow in 2009 was approximately RMB942,348,000. Of which, representing a decrease of net bank borrowings of RMB204,000,000, an increase of dividend for equity holders of the Company and non-control interests of the Company for RMB73,000,000 compared to last year.

Land Appreciation Tax

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, 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 twelve months ended 31 December 2010, the Group's land appreciation tax amounted to approximately RMB74,017,000. 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 would be minimal.

External Guarantee and Fulfillment

	2010	**2009**
	RMB'000	*RMB'000*
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	373,304	146,091

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 property projects 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 2010, land use rights, property, plant and equipment and properties under development at a total value of approximately RMB889,288,000 (as at 31 December 2009: RMB1,016,859,000) 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. In 2011, the capital expenditure will amount to approximately RMB880,000,000, in which approximately RMB30,000,000 will be used in procuring industrial housing production line, and approximately RMB800,000,000 will be used to acquiring land use rights. At the same time, the Group will pay more attention to market changes and will increase its investments in acquisition of land and relevant businesses at appropriate timing and at reasonable costs.

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 2010, 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 2010, 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 2010, the Group had approximately 3,705 permanent employees (2009: approximately 3,725). There are approximately 63,810 indirectly employed construction site workers (2009: approximately 63,050). These workers are not directly employed by the Group. Total staff costs amounted to approximately RMB1,942,642,000 (2009: RMB1,486,682,000) for the year ended 31 December 2010. Remuneration is determined by reference to market terms as well as the performance, qualifications and experience of individual employee. The Group is subject to social insurance contribution plans organised by the PRC local governments. 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 devotes to establishing a high quality team to support its long term business development. The Board is currently working on devising and implementing 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 announcemnt, 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.

Code on Corporate Governance Practices

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2010, 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 overseeing and managing 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 has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the directors and supervisors. Having made specific enquiries with each director and each supervisor, all directors and all supervisors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2010.

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 2010 had been reviewed by the audit committee before submission to the Board for adoption and approval.

Proposed Change of PRC Statutory Auditor

PricewaterhouseCoopers ("PwC Hong Kong") has been appointed as the Company's international auditor to report on the Group's financial statements which are prepared in accordance with HKFRS and in conformity with the financial reporting requirements governed by the Listing Rules of Securities on the Stock Exchange of Hong Kong Limited; and that Shine Wing CPAs Company Limited ("Shine Wing CPAs") has been appointed as the Company's PRC statutory auditor to report on the Group's financial statements which are prepared in accordance with the China Accounting Standards for the year ended 31 December 2010.

In order to improve efficiency and reduce cost, the Company proposes to appoint PricewaterhouseCoopers Zhong Tian Certified Public Accountants Company Limited ("PwC ZT") as its PRC statutory auditor to replace Shine Wing CPAs.

A resolution will be proposed at the forthcoming general meeting to re-appoint PwC Hong Kong as the international auditor and appoint PwC ZT as the PRC statutory auditor. The board of directors confirmed that there is no other matter which should be brought to the attention of shareholders regarding the proposed change.

Preliminary Announcement of Annual Results

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditors, PwC Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC Hong Kong 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 PwC Hong Kong on the preliminary announcement.

Publication of Annual Report

The full text of the Group's 2010 Annual Report will be sent to the shareholders of the Company and posted on the websites of Hong Kong Exchanges and Clearing 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 Group for their continuous patronage and support.

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

Zhejiang, the PRC
28 March, 2011

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. Wang Youqing.

* *For identification and reference purposes only*