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 2011

- Revenue achieved approximately RMB16,187 million, representing an increase of approximately 34% from last year;
- Operating profit amounted to approximately RMB1,077 million, representing a growth of approximately 33% from last year;
- Profit attributable to owners of the Company amounted to approximately RMB710 million, representing an increase of approximately 35% from last year;
- Earnings per share was RMB1.07, representing an increase of approximately 35% compared to last year.

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 2011 prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2010. The following financial information is extracted from the audited consolidated financial statements as set out in the Group's 2011 Annual Report.

* *for identification purpose only*

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2011	**2010**
	Note	*RMB'000*	*RMB'000*
Revenue	*2*	16,186,830	12,055,243
Cost of sales		(14,836,997)	(11,104,052)
Gross profit		1,349,833	951,191
Other income		99,748	41,593
Other gains – net		44,945	172,405
Selling and marketing costs		(45,143)	(34,766)
Administrative expenses		(372,101)	(318,324)
Operating profit		1,077,282	812,099
Finance costs		–	(35,594)
Share of loss of jointly controlled entity		(27,976)	(4,034)
Share of gains/(losses) of associates		302	(299)
Profit before income tax		1,049,608	772,172
Income tax expense	*3*	(333,765)	(225,747)
Profit for the year		715,843	546,425
Attributable to:			
– Owners of the Company		710,196	527,875
– Non-controlling interests		5,647	18,550
		715,843	546,425
Earnings per share for profit attributable to owners of the Company			
– basic and diluted (expressed in RMB per share)	*4*	1.071	0.796
Dividends	*5*	139,222	106,074

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2011 *RMB'000*	2010 *RMB'000*
Profit for the year	715,843	546,425
Other comprehensive income:		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	(5,221)	(33,601)
Change in fair value of available-for-sale financial assets, net of tax	(1,028)	4,132
Other comprehensive income for the year, net of tax	(6,249)	(29,469)
Total comprehensive income for the year	709,594	516,956
Total comprehensive income attributable to:		
– Owners of the Company	703,947	498,406
– Non-controlling interests	5,647	18,550
	709,594	516,956

CONSOLIDATED AND COMPANY'S BALANCE SHEETS

		Group		Company	
		As at 31 December		As at 31 December	
		2011	2010	2011	2010
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Land use rights		588,262	556,193	5,548	5,778
Property, plant and equipment		960,390	912,660	28,730	30,960
Goodwill		16,534	16,534	–	–
Properties under development		369,129	–	–	–
Investment in subsidiaries		–	–	814,453	820,703
Investment in the jointly controlled entity		8,759	36,735	49,000	49,000
Loan to the jointly controlled entity		189,757	103,187	348,184	243,222
Investment in associates		2,857	2,555	–	–
Available-for-sale financial assets		11,479	12,849	–	–
Deferred income tax assets		192,111	29,353	–	–
		2,339,278	1,670,066	1,245,915	1,149,663
Current assets					
Amounts due from subsidiaries		–	–	772,866	365,275
Inventories		143,911	106,648	–	–
Properties under development		2,601,982	3,202,726	–	–
Completed properties held for sale		620,281	575,855	–	–
Due from customers on construction contracts		1,685,703	1,494,272	–	–
Trade receivables	6	935,965	700,404	–	–
Other receivables		2,370,499	1,160,172	2,417	15,267
Restricted bank deposits		527,521	101,269	250,000	–
Cash and cash equivalents		1,878,422	1,947,888	77,535	436,322
		10,764,284	9,289,234	1,102,818	816,864
Total assets		13,103,562	10,959,300	2,348,733	1,966,527

		Group		Company	
		As at 31 December		As at 31 December	
		2011	**2010**	**2011**	**2010**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attributable to the owners of the Company					
Share capital		662,964	662,964	662,964	662,964
Share premium		847,295	847,295	847,295	847,295
Reserves	7	116,831	100,871	123,199	100,990
Retained earnings					
– Proposed final dividend		139,222	106,074	139,222	106,074
– Others		2,604,842	2,056,077	299,348	234,424
		4,371,154	3,773,281	2,072,028	1,951,747
Non-controlling interests		76,556	56,197	–	–
Total equity		4,447,710	3,829,478	2,072,028	1,951,747
LIABILITIES					
Non-current liabilities					
Borrowings		210,000	70,000	–	–
Deferred income tax liabilities		38,910	46,975	–	–
		248,910	116,975	–	–
Current liabilities					
Trade payables	8	1,736,606	1,177,108	–	–
Other payables		1,246,566	1,105,716	20,809	8,884
Receipts in advance		1,737,569	2,706,300	–	–
Current income tax liabilities		720,420	463,368	5,896	5,896
Due to customers on construction contracts		1,565,881	1,065,192	–	–
Borrowings		1,399,900	495,163	250,000	–
		8,406,942	7,012,847	276,705	14,780
Total liabilities		8,655,852	7,129,822	276,705	14,780
Total equity and liabilities		13,103,562	10,959,300	2,348,733	1,966,527
Net current assets		2,357,342	2,276,387	826,113	802,084
Total assets less current liabilities		4,696,620	3,946,453	2,072,028	1,951,747

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.

The new and amended accounting standards, which are mandatory for the financial year beginning on 1 January 2011, are not relevant or have no impact to the Group.

2. SEGMENT INFORMATION

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

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

- Construction – provision of construction services

- Property development – development and sale of properties

- Building materials – manufacture and sale of building materials

The Group's other operations mainly comprise the provision of architectural and interior design services, and provision of construction equipment rental services.

The executive directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes financial costs and share of results of associates and 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. At the Group level no segment assets and segment liabilities are provided to the executive directors.

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

The segment information is as follows:

	Year ended 31 December 2011				
	Construction	**Property development**	**Building materials**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	12,644,397	2,503,583	1,765,408	183,900	17,097,288
Inter-segment revenue	(642,139)	–	(248,905)	(19,414)	(910,458)
Revenue (from external customers)	12,002,258	2,503,583	1,516,503	164,486	16,186,830
Operating profit	392,843	603,900	79,291	1,248	1,077,282
Depreciation	34,451	3,397	47,218	23,504	108,570
Amortisation	7,089	–	3,324	2,601	13,014
Impairment of receivables	(2,831)	–	14,575	–	11,744
Share of loss of jointly controlled entity	–	27,976	–	–	27,976
Share of (gains)/losses of associates	–	138	(440)	–	(302)
Income tax expense	80,874	228,494	20,604	3,793	333,765

	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 loss of jointly controlled entity	–	4,034	–	–	4,034
Share of (gains)/losses of associates	–	387	(88)	–	299
Income tax expense	58,059	144,890	19,076	3,722	225,747

3. 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 (2010: 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% (2010: 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:

	2011	**2010**
	RMB'000	*RMB'000*
Current income tax		
– PRC CIT	288,069	168,113
– PRC land appreciation tax	216,177	74,017
Deferred income tax, net		
– PRC CIT	(64,824)	(16,383)
– PRC land appreciation tax	(105,657)	–
	333,765	225,747

4. EARNINGS PER SHARE

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

	2011	**2010**
	RMB'000	*RMB'000*
Profit attributable to owners of the Company (RMB'000)	710,196	527,875
Ordinary shares in issue during the year (thousands shares)	662,964	662,964
Basic earnings per share (RMB)	1.071	0.796

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

5. DIVIDENDS

	2011 *RMB'000*	2010 *RMB'000*
Proposed final dividend of RMB0.21 (2010: RMB0.16) per ordinary share	139,222	106,074

The Board recommend the payment of a final dividend of RMB0.21 (2010: RMB0.16) per ordinary share, totalling RMB139,222,000 (2010: RMB106,074,000). Such payment of dividend is subject to approval by the shareholders of the Company at the Annual General Meeting scheduled to be held on 15 June 2012. These financial statements do not reflect this dividend payable. The final dividend of RMB106,074,000 (RMB0.16 per ordinary share) for 2010 was paid in 2011.

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 declared and paid 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 29 June 2012 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 deductions of 10% as income tax. The Company will not withhold and pay individual 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 29 June 2012.

6. TRADE RECEIVABLES

	2011 *RMB'000*	2010 *RMB'000*
Trade receivables	972,374	725,069
Less: provision for doubtful debts	(36,409)	(24,665)
	935,965	700,404

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 trade receivables is as follows:

	2011 *RMB'000*	2010 *RMB'000*
Within 3 months	557,479	373,206
3 months to 1 year	225,516	159,149
1 to 2 years	75,512	78,624
2 to 3 years	64,502	62,310
Over 3 years	49,365	51,780
	972,374	725,069

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

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

7. RESERVES

	Assets revaluation reserve RMB'000	Available-for-sale financial assets reserve RMB'000	Statutory surplus reserve RMB'000	Others RMB'000	Total RMB'000
Balance at 1 January 2010	42,937	–	79,590	–	122,527
Appropriation from retained earnings	–	–	21,400	–	21,400
Transfer of reserves to income statement upon sale of revaluated properties	(33,601)	–	–	–	(33,601)
Revaluation of available-for-sale financial assets	–	5,510	–	–	5,510
Revaluation – tax	–	(1,378)	–	–	(1,378)
Transactions with non-controlling interests	–	–	–	(13,587)	(13,587)
Balance at 31 December 2010	9,336	4,132	100,990	(13,587)	100,871
Balance at 1 January 2011	9,336	4,132	100,990	(13,587)	100,871
Appropriation from retained earnings	–	–	22,209	–	22,209
Transfer of reserves to income statement upon sale of revaluated properties	(5,221)	–	–	–	(5,221)
Revaluation of available-for-sale financial assets	–	(1,370)	–	–	(1,370)
Revaluation – tax	–	342	–	–	342
Balance at 31 December 2011	4,115	3,104	123,199	(13,587)	116,831

8. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2011 RMB'000	2010 RMB'000
Within 3 months	968,738	562,819
3 months to 1 year	368,630	361,712
1 to 2 years	235,428	96,539
2 to 3 years	91,061	56,550
Over 3 years	72,749	99,488
	1,736,606	1,177,108

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 15 June 2012 (the “AGM”). The notice of the AGM will be published and dispatched 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 (the “Listing Rules”) in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 May 2012 to 15 June 2012, both dates inclusive, during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s H Shares registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong (for holders of the Company’s H Shares) no later than 4:30 p.m. on 14 May 2012.

The register of members of the Company will be closed from 22 June 2012 to 29 June 2012, both dates inclusive, during which period no share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholder’s approval at the AGM), all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s H Shares registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong (for holders of the Company’s H Shares) no later than 4:30 p.m. on 21 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the year ended 31 December 2011, the Group achieved a consolidated revenue of approximately RMB16,186,830,000 (2010: RMB12,055,243,000), representing an increase of approximately 34% compared to the previous year; operating profit reached RMB1,077,282,000 (2010: RMB812,099,000), representing a growth of approximately 33% compared to last year; profit attributable to owners of the Company amounted to approximately RMB710,196,000 (2010: RMB527,875,000), an increase of approximately 35% from last year; earnings per share was RMB1.071 (2010: RMB0.796), representing an increase of approximately 35% compared to last year. The significant increase in operating profit was largely attributable to the significant increase in revenue and operating profit derived from the property development business as compared to last year.

Revenue

	For the year ended 31 December				
	2011		2010		Change
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Construction	12,002,258	74%	9,534,950	79%	26%
Property Development	2,503,583	16%	912,505	8%	174%
Building Materials	1,516,503	9%	1,488,909	12%	2%
Others	164,486	1%	118,879	1%	38%
Total	16,186,830	100%	12,055,243	100%	34%

Operating Profit

	For the year ended 31 December				
	2011		2010		Change
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Construction	392,843	36%	357,285	44%	10%
Property Development	603,900	56%	364,452	45%	66%
Building Materials	79,291	7%	76,885	9%	3%
Others	1,248	1%	13,477	2%	-91%
Total	1,077,282	100%	812,099	100%	33%

Construction Business

For the year ended 31 December 2011, the Group's construction business achieved a revenue of approximately RMB12,002,258,000, representing a growth of approximately 26% over last year; operating profit amounted to approximately RMB392,843,000, representing an increase of approximately 10% over last year.

For the year ended 31 December 2011, the Group's total contract value under construction-in-progress amounted to approximately RMB40,534,486,000, representing an increase of approximately18% over last year. The total contract value for the Group's construction-in-progress is analysed below:

By project nature

	As at 31 December				
	2011		**2010**		**Change**
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Government and Public Buildings	13,477,717	33%	12,036,763	35%	12%
Urban Infrastructure	11,755,001	29%	9,629,411	28%	22%
Residential Projects	8,917,586	22%	7,565,965	22%	18%
Industrial Projects	6,384,182	16%	5,158,613	15%	24%
Total	40,534,486	100%	34,390,752	100%	18%

By region

	As at 31 December				
	2011		**2010**		**Change**
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Zhejiang Province	12,971,036	32%	11,692,856	34%	11%
Shanghai	10,133,622	25%	8,941,595	26%	13%
Other Eastern China Region	3,850,776	10%	3,095,167	9%	24%
Central China Region	7,470,506	18%	5,846,428	17%	28%
Northern China Region	3,648,104	9%	3,095,168	9%	18%
Other Regions	1,276,836	3%	756,597	2%	69%
Overseas*	1,183,606	3%	962,941	3%	23%
Total	40,534,486	100%	34,390,752	100%	18%

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

Facing the prevailing complex market environment and intensified market competition, the Group's construction business continues to adopt the "going out" development strategy, while deepening into home based old and new markets. During the year ended 31 December 2011, the Group's construction business entered into two new markets in Shanxi and Guangdong by regionalising operational centers, enhancing risk management control, enhancing management and business structure. During the year ended 31 December 2011, the Group's construction business had secured new construction contracts valued at approximately RMB17 billion (2010: RMB14 billion), representing a growth of approximately 21% compared to last year, which is inclusive of the premium construction projects of Liaoning People's Hospital, the International Airport Terminal of Jinhua Yiwu Airport, the Shaoxing Sport Stadium, Dongying City Planning Exhibition Centre and Yellow River Cultural Museum in Shandong, City Investment Building in Gucheng County, Anhui, No.156 Land Project in Xuhui District, Shanghai, the curtain wall project of China Merchants Square in Shekou, Shenzhen, and the curtain wall project of Quanzhou Wanda Square, Jiangyin World Trade Centre, Yinzhou Sewage Treatment Plant, and Wenzhou Finance and Tax Office Building.

During the year ended 31 December 2011, the Group's construction business continued to report excellent performance in award-winning projects with a total of 84 awards, which includes 10 national awards and 55 provincial awards. These principal awards and recognitions are:

Projects Name	**Awards**
Shaoxing Jinhui Square	Luban Award
International Airport Terminal of Hangzhou Xiaoshan International Airport Phase II	National Silver Award
The Laboratory Building of Zhejiang Entry-Exit Inspection and Quarantine Bureau	National Outstanding Decoration Award
Jinhua Yintai Shopping Mall	National Outstanding Installation Award
Organic Silicon Laboratory of Hangzhou Normal University Luqiao Administrative Building Complex of Taizhou Hospital	Qianjiang Cup
The No. 9 Building of Repulse Bay Hyatt Town in Shanghai Beiganshan International Arts Centre in Shanghai Shanghai Wanyuan Residential Shanghai Jingcheng Affordable Housing	Baiyulan Cup
Curtain Wall Project of Wenzhou New Century Building Curtain Wall Project of Hefei Feilong Building Curtain Wall Project of Zhejiang Property Building	Outstanding Decoration Award in Zhejiang

Property Development Business

Property Sales

For the year ended 31 December 2011, revenue of the Group's property development business amounted to approximately RMB2,503,583,000 (the revenue before deductions of sales tax and related levies was RMB2,652,839,000), representing a significant increase of approximately 174% from last year. Operating profit amounted to approximately RMB603,900,000, representing an increase of approximately 66% compared to last year.

For the year ended 31 December 2011, revenue of property sales was mainly derived from five projects, details of which are set out below:

Project	**Location**	**Average Selling Price** *(RMB/Sqm)*	**Floor Area Sold** *(Sqms)*	**Revenue** *(RMB'000)*
Baoye Four Seasons Garden Lotus Garden	Shaoxing	31,744	15,579	494,536
Daban Fengqing Phase I	Shaoxing	7,045	128,653	906,355
Baoye Xudong Yayuan	Wuhan	8,550	28,715	245,506
Baoye Tongcheng Green Garden	Hefei	5,928	127,151	753,694
City Green Garden Phase III	Hefei	8,658	21,080	182,514

During the year ended 31 December 2011, Baoye Four Seasons Garden achieved satisfactory sales results and pioneered a leading position in the premium home market in Shaoxing, bringing in hefty cash inflow and sustainable profitability to the Group. Relying on the bright regional development prospect, full community facility and good market positioning, both Baoye Dongcheng Square and City Green Garden Phase IV have reported encouraging pre-sale results since December 2011.

Projects under development

As at 31 December 2011, the Group's projects under development set out below:

Project Name	**Location**	**Estimated Gross Floor Area under Development** *(Sqms)*	**Equity Interest of the Group**
Baoye Four Seasons Garden	Shaoxing	510,000	100%
Daban Fengqing Phase II	Shaoxing	150,000	100%
Yuyuan	Shaoxing	75,000	49%
Yangxun Commercial Centre	Shaoxing	36,000	100%
Jiangwan Green Garden	Shaoxing	59,000	100%
City Green Garden Phase IV	Hefei	100,000	100%
Baoye Dongcheng Square	Hefei	228,500	100%
Jiangwan Luyuan	Hangzhou	70,000	100%
Baoye Guanggu Lidu	Wuhan	300,000	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, town houses and garden 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. Revenue generated from the Lotus Garden of Phase I has been recognised in 2011, the Liu Garden of Phase I has been sold out and revenue generated from it will be recognised in 2012; and the He Garden of Phase II is under pre-sale with encouraging results.

Daban Fengqing is located in Keqiao, Shaoxing County, has 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 is positioned as a premier residential property in Keqiao, Shaoxing County and has been developed in two phases. Daban Fengqing Phase I had been delivered to owners in 2011, while Daban Fengqing Phase II, with an area of approximately 150,000 square metres, is under development, and approximately 70% of which has been sold and revenue generated from it will be recognised in 2012.

Yuyuan, located at No. 1 Yangming Road, Shaoxing City, has a total site area of approximately 180,000 square metres and an estimated gross floor area of 98,000 square metres. The Group and Greentown China Holdings Limited, a listed company on The Stock Exchange of Hong Kong Limited, jointly acquired the land and developed 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 has been developed as a low density deluxe villa project. 27 sale-units of Phase I have been delivered to owners in 2011 and the remaining four phases are currently under development.

Yangxun Commercial Centre, located in the centre 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 approximately 36,000 square metres. This project consists of residential, commercial units and agricultural products market complex. The project has been entirely sold out and revenue generated from it is expected to be recognised in 2012.

Jiangwan Green Garden is located in Yangxunqiao, Shaoxing County, with a total site area of approximately 37,870 square metres and an estimated gross floor area of approximately 59,000 square metres. The project consists of high-rise residential buildings, villas, town houses and some commercial units with beautiful scenery and convenient transportation. The project has been pre-sold in December 2011 with satisfactory results.

City Green Garden is located in Yaohai District, a prime developing zone in Hefei City, Anhui, with convenient transportation. It comprises high-end properties with a portion of commercial units 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 have been completed and accounted for as revenue in the past few years. City Green Garden Phase IV, with an estimated gross floor area of approximately 100,000 square metres, is currently under development and has commenced its pre-sale in December 2011 with satisfactory results.

Baoye Dongcheng Square is located in Changjiang East Road, the business centre in Hefei City, with convenient transportation and full community services. The project has a site area of approximately 63,500 square metres with an estimated gross floor area of approximately 228,500 square metres. It is a city complex development project comprising residential units, commercial units and offices. It is aimed to be developed as the landmark and commercial centre at Dongmen, east of Hefei. The pre-sale of the project has begun in December 2011 with satisfactory results.

Jiangwan Luyuan is located in Xiaoshan District, Hangzhou City, having a total site area of approximately 50,000 square metres and a total gross floor area of approximately 70,000 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 residential buildings and town houses. It is expected to be ready for pre-sale in the first half of 2012.

Baoye Guanggu Lidu is located in the East Lake New Technology Development Zone in Wuhan City. The total site area is approximately of 120,000 square metres and the estimated gross floor area is approximately of 300,000 square metres. The project comprises 18 high-rise residential buildings and shops. In June 2011, the Group acquired the land use right by public auction. At present, the preparation work is under processing.

Newly Acquired Land Reserves

During the year ended 31 December 2011, with an increase in land supply and decrease in land price premium, the Group acquired three parcels of new land use rights in Wuhan, Shanghai, and Henan through public tender and auction to correspond with the development strategy and financial position of the Company. These three new parcels of land has an aggregate land area of approximately 703,700 square metres, with an estimated total gross floor area of approximately 1,209,000 square metres, details of which are set out below:

Date	**Location**	**Project**	**The Total Land Cost** *(RMB'000)*	**Land Area** *(Sqms)*	**Estimated Gross Floor Area** *(Sqms)*	**Equality Interest of the Group**	**Note**
June 2011	Wuhan	Baoye Guanggu Lidu	602,000	120,000	300,000	100%	Residential
November 2011	Shanghai	Huinan Project	722,000	106,950	194,000	100%	Residential/ Commercial
December 2011	Henan	Kaifeng Project	164,000	476,750	715,000	80%	Residential

Leveraging on the Group's healthy cash flow position, prudent financial position and low land cost, the Group will continue to adopt a prudent but proactive role in expanding its business and will seek acquisition targets or cooperation projects in project development and land acquisition, aiming to provide satisfactory returns to its shareholders.

Building Materials Business

For the year ended 31 December 2011, revenue of the Group's building materials business amounted to approximately RMB1,516,503,000, representing an increase of approximately 2% over last year; operating profit was approximately RMB79,291,000, representing an increase of approximately 3% from last year.

For the year ended 31 December 2011, revenue from the Group's building materials is analysed below:

	For the year ended 31 December		
	2011	**2010**	**Change**
	RMB'000	*RMB'000*	
Curtain Wall	672,719	606,244	11%
Ready-mixed Concrete	359,325	353,335	2%
Furnishings and Interior Decorations	267,286	209,862	27%
Steel Structure	92,897	145,782	-36%
Wooden Products and Fireproof Materials	94,757	84,412	12%
Concrete Pipes	9,969	62,293	-84%
Others	19,550	26,981	-28%
Total	1,516,503	1,488,909	2%

During the year ended 31 December 2011, the Group's building materials business continued to maintain stable growth and development, and has registered improvements in almost all business sectors. The reduction in revenue for concrete pipes sector was due to the fact that a rental contract was signed between the Group and a third party in March 2011, pursuant to which the Group shall receive a sum of rental from the third party in exchange for the leased premises, plant and equipment, whilst the said rental income had not been accounted for as revenue from building materials business. The reduction in revenue for steel structure was due to the offset of increased internal business.

Benefiting from the long time business relationship with some major state-owned enterprises and renowned property developers, the curtain wall sector experienced an increase in profit. During the year ended 31 December 2011, the Group secured the curtain wall projects of the landmark building of Shenzhen China Merchant Square in Shekou, Quanzhou Wanda Square and the Cultural Centre in Shaoxing City etc. In addition, the Group also secured other curtain wall projects including Wanda Squares located in Shaoxing, Shijiazhuang, Fuzhou, Daqing in Helongjiang and Jiangqiao in Shanghai.

The Group has established the industrialised housing assembly factory in Shaoxing Building Material Industrial Park, bringing in five advanced international fully-automated production lines.

During the year ended 31 December 2011, Anhui Baoye Housing Industrialisation Company Limited, a subsidiary of the Company, had entered into acquisition agreements with the respective shareholders of Sievert Quick-mix Building Materials (Hefei) Company Limited and Sievert Concrete Precast Elements (Hefei) Company Limited, to acquire 29% of the equity interests in these companies, and these acquisitions will be completed in 2012 pending the approval by the governing authorities. The collaboration with the above mentioned two companies will benefit the business of industrialised housing in central China, complement the light steel structure, broaden the product range of industrialised housing, and propel technological advancement and application of industrialised housing in light steel structure and PC concrete structure.

Prospect

Operating Environment

In 2012 it is expected that the global economy will face a number of uncertainties, which includes imbalanced regional development, high inflation, the European sovereign debt crisis, skewed high prices of international core commodities, the erratic international politics, and slow economic recovery. However, the enormous demand for consumption and infrastructural construction generated by industrialisation and urbanisation of the Chinese economy will be the driving force for economic growth. It is expected that the economy in China will still maintain a growth momentum in 2012. In addition, the speedy development in government affordable housing and massive investment in infrastructural projects are expected to provide a good operating environment for the Group's business as a whole.

Business Strategy

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

- In relation to the Group's marketing strategy, it will continue to maintain the "going-out" development strategy, expanding the Yangtze River Delta market with concentration in Jiangsu, Zhejiang and Shanghai areas. The Group will explore new markets and consolidate its leading market positions in Zhejiang, Shanghai, Anhui and Hubei, and continue the development of regional operating centers under the regionalised management.

- In relation to the Group's business development, it will realize "Two-surpass and Two-advance" approach to enter into the markets of infrastructural construction projects in water supplies and transport projects by alignment of design and general contractor role, and by integration of capital financing module and construction-operation model.

- The Group will adopt new business model such as BT (Build-Transfer) and BOT (Build-Operate-Transfer) project that carries project financing, and transform from construction contractor to project general contractor.

Property development business contributes substantial profit to the Group

- In terms of product management, the Group will base on the changes in market demand, to enhance its product positioning and market niche. The Group will adjust its business development strategy to speed up the development of land reserves aiming to shorten the entire project life cycle.

- With respect to regional penetration, the Group will focus on second and third tier cities in Hubei, Anhui and Henan, which are less affected by the home restriction purchase rules and call for high demand in residential housing, reaping from the development opportunities in these rapid economic growth and speedy urbanisation pace regions in history.

- With respect to land reserves, the Group always adopts prudent policy to preserve land bank, where appropriate, to ensure a sustainable development of the property development business. Land bank in hand is sufficient for the future property development in the coming 3 to 5 years.

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

- With respect to business development, the Group will ride on the opportunity of promoting the green, energy-saving and environmental-friendly construction policies adopted by the Chinese government and the advantages set forth by the two industrialised housing technologies in light steel structure and PC concrete structure, to integrate the full product line in these sectors. The Group will maintain its strategic cooperation with major state-owned enterprises and renowned property developers to establish bridges and links to promote the green and energy-saving industrialised housing.

- With respect to market positioning, during the twelfth "Five-Year-Plan", the vast construction of affordable housing provides tremendous business opportunities for the housing industrialisation sector. Affordable housing calls for sizeable development and speedy completion of construction, standardisation of structure and parts, and higher requirements of green and energy-saving, all of which are closely in line with the distinct features of the industrialisation of residential housing. The Group will actively participate in the development and construction of affordable housing, leveraging on the advantages of two advanced construction technologies in housing industrialisation and the three building materials industrial parks in Shaoxing, Hefei and Wuhan.

- With respect to market development, based on the existing position of Baoye Hubei Company's overseas business and markets in the Middle East and India, the Group will actively participate in expanding the overseas markets for industrialised housing.

As one of the leading construction conglomerates in the industry, the Group will continue to adopt the "three-in-one" business model in construction, property development and building materials and to build, among other things, core competencies and competitive advantages. The Group will use its niche position in construction business to drive the businesses of property development and building materials by improvement in product quality and technology advancement in industrialisation of construction, thereby enhancing the brand value and the Company's value from time to time.

Financial Review

Financial Policies

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

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

Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People's Bank of China. Such excellent credit rating will benefit the Group's financing activities and allows the Group to continue to enjoy the prime rate offered by the banks. During the year, the Group maintained most of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 31% (2010: 42%) of the total borrowings. In addition, approximately 22% of the total borrowings (2010: 28%) were jointly guaranteed by the chairman of the Board, Mr. Pang Baogen and the Company to the lending banks. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

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

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resources to expand its business, details of which are analysed below:

	As at 31 December	
	2011	**2010**
	RMB'000	*RMB'000*
Cash and cash equivalents	1,878,422	1,947,888
Restricted bank deposits	527,521	101,269
Less: total borrowings	(1,609,900)	(565,163)
Net cash	796,043	1,483,994
Total equity attributable to owners of the Company	4,371,154	3,773,281
Net cash ratio	18%	39%

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

Other Key Financial Ratios

	As at 31 December	
	2011	**2010**
Return on equity	16.2%	14.0%
Net assets value per share (RMB)	6.59	5.69
Current ratio	1.28	1.32

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

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

Current ratio = current assets/current liabilities

During the year ended 31 December 2011, profit attributable to owners of the Company was approximately RMB710,196,000, representing an increase of approximately 35%, largely due to the significant increase in revenue and operating profit from the property development business. As a result, the Group's return on equity and net assets value per share also increased as compared to last year. As at 31 December 2011, the Company was in the position of net cash, having a decreased net cash ratio at 18% as compared to last year, mainly due to the funds incurred for acquisition of three parcels of new land use rights, pursuant to which the Company paid approximately RMB1,440,000,000. Apart from the Company's bank deposits, the Company applied bank borrowings to finance its acquisition, resulting in a significant increase in short term bank borrowings.

Cash Flow Analysis

		For the year ended 31 December	
		2011	**2010**
	Note	*RMB'000*	*RMB'000*
Cash (outflow)/inflow from operating activities	*(i)*	(587,160)	1,353,338
Cash (outflow)/inflow from investing activities	*(ii)*	(175,513)	135,923
Cash inflow/(outflow)from financing activities	*(iii)*	693,207	(1,218,825)
Net (decrease)/increase in cash and cash equivalents		(69,466)	270,436

Note:

(i) During the year ended 31 December 2011, the net cash outflow from the operating activities was RMB587,160,000, the increase was due to the Company's acquisition of three parcels of new land use rights in Wuhan, Shanghai and Henan, which amounts RMB1,440,000,000. It is expected that the net cash inflow from operating activities will tend to increase when pre-sale of the Company's property development projects begin.

(ii) During the year ended 31 December 2011, the net cash outflow from the investing activities was approximately RMB175,513,000, mainly due to the increase in investment in and loan to jointly controlled entity and purchase of properties, plant and equipment.

(iii) During the year ended 31 December 2011, the net cash inflow from financing activities was approximately RMB693,207,000, mainly due to an increase in short term bank borrowings.

Land Appreciation Tax

The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial Reporting and Accounting Standards in accounting for such tax provision, and has also prepaid the land appreciation taxes based on the sale values multiplied by certain assessed rates determined by the respective local tax authorities where the properties are located. For the year ended 31 December 2011, the Group's land appreciation tax amounted to approximately RMB216,177,000. 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.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB372,101,000 for the year ended 31 December 2011 as compared to approximately RMB318,324,000 for the year ended 31 December 2010, representing a moderate increase of approximately 17% from last year. Followed by the business expansion and increase of the employees' salaries and benefits, administrative expenses had increased accordingly during the year.

Finance Costs

During the year ended 31 December 2011, the Group had no finance costs, mainly due to the decrease of interest expenses attributable to bank borrowings, which was all used in properties under development.

External Guarantee and Fulfillment

	2011	**2010**
	RMB'000	*RMB'000*
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	256,592	373,304

The Group had issued performance guarantees in respect of mortgage facilities granted by various banks relating to the mortgage loans arranged for certain purchasers of property 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 2011, land use rights, property, plant and equipment, properties under development and restricted bank deposits at a total value of approximately RMB917,721,000 (as at 31 December 2010: RMB889,288,000) were pledged to banks as security in securing bank borrowings.

Capital Expenditure Plan

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

Adjustment of RMB Exchange Rate and Foreign Exchange Risks

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

Connected Transactions

During the year ended 31 December 2011, 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 ended 31 December 2011, 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 2011, the Group had a total of approximately 3,520 permanent employees (as at 31 December 2010: 3,705). Also, there were approximately 72,560 indirectly employed construction site workers (as at 31 December 2010: 63,050). These workers were not directly employed by the Group. For the year ended 31 December 2011, the total employee benefit expenses amounted to approximately RMB2,553,662,000 (2010: RMB1,942,642,000). Employee benefit expenses include salary, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Board is continuously working on devising, revising and implementing a more effective employee incentive plan to encourage superior performance of employees to fit into the Group's long term development 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 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 2011, 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 (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the directors and supervisors. Specific enquiries have been made by the Company and all the directors and supervisors have confirmed that they have complied with the Model Code throughout the year of 2011. If any related employees possess information which may be considered as sensitive to the Company's share price and such information is not public, such employee has to comply with the written guidance, which is as strict as the Model Code.

Audit Committee

The audit committee of the Company consists of two independent non-executive directors, namely Mr. Chan Yin Ming, Dennis (chairman), Mr. Wang Youqing and one non-executive director, Mr. Fung Ching, Simon. The audit committee held two meetings during the year ended 31 December 2011. 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 2011 had been reviewed by the audit committee before submitting to the Board for adoption and approval.

Proposed Amendments to Articles of Association

In view of changes to the Listing Rules relating to, among other things, the constitutional documents of listed issuers and the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, the Board proposes to amend the articles of association of the Company (the "Articles") and to adopt the new Articles to, amongst others, align it with the relevant changes. The proposed amendments to the Articles are subject to approval by the shareholders by way of a special resolution at the forthcoming AGM. Details of the proposed amendments to the Articles will be set out in the circular to be dispatched by the Company in respect of the AGM.

Preliminary Announcement of Annual Results

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2011 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 2011 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 its 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 People's Republic of China
19 March 2012

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Pang Baogen, Mr. Gao Lin, Mr. Gao Jiming, Mr. Gao Jun and Mr. Jin Jixiang; one non-executive Director, namely, Mr. Fung Ching, Simon and three independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis, Mr. Wang Youqing and Mr. Zhao Rulong.