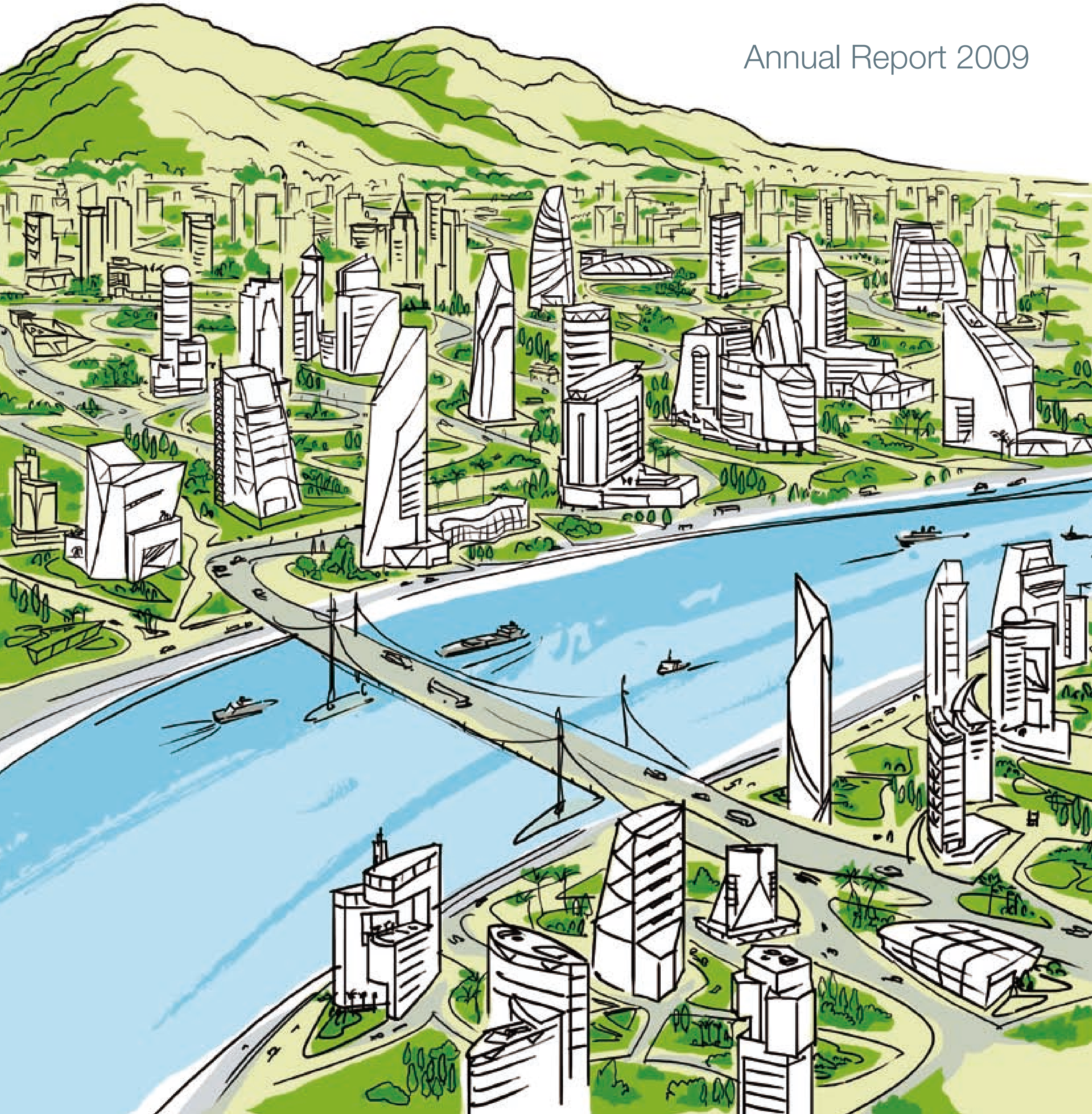
BAOYE GROUP COMPANY LIMITED

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

Stock Code: 2355

The Leading China's Operator Towards Urbanisation

Annual Report 2009



Our Mission

"From construction to manufacturing", leads construction industry towards industrialisation in China.

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- Shaoxing
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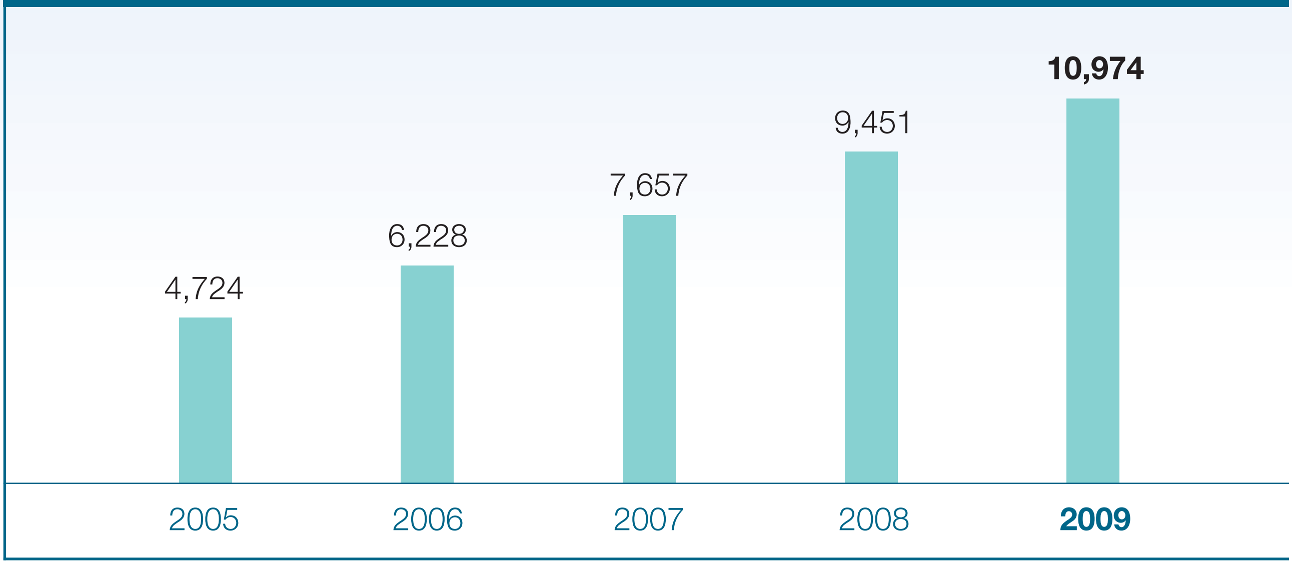
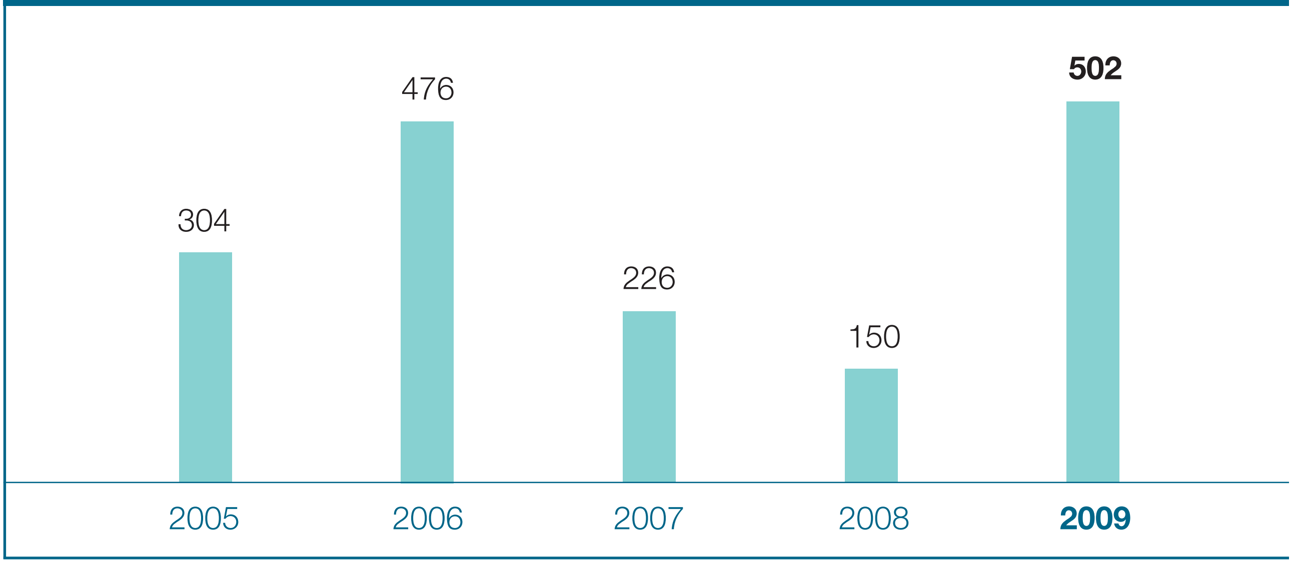
Financial Highlights

Revenue
(in RMB million)



Profit Attributable to the Equity Holders of the Company
(in RMB million)



	Year Ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**10,973,575**	9,451,498	7,657,066	6,227,853	4,723,797
Profit Attributable to the Equity Holders of the Company	**502,239**	150,044	225,795	476,032	304,226
Earnings per Share (RMB)	**0.758**	0.226	0.343	0.779	0.537
Assets and Liabilities					
Total Assets	**9,977,724**	9,440,012	7,692,050	5,771,319	4,556,918
Total Liabilities	**6,498,535**	6,449,484	4,795,642	3,582,065	2,728,887
Total Equity Holders' Funds	**3,479,189**	2,990,528	2,896,408	2,189,254	1,828,031

Key Financial Ratios

	As at 31 December	
	2009	2008
Return on Equity (%)	**14.9%**	5.1%
Net Assets Value per Share (RMB)	**5.09**	4.45
Net Cash Ratio (%)	**8%**	–
Net Gearing Ratio (%)	**–**	24%
Current Ratio	**1.33**	1.15

Chairman's Statement

Mr. Pang Baogen

Profit attributable to the equity holders of the Company amounted to RMB502,239,000, soared by approximately 235% from last year; earnings per share was RMB0.758, registered a significant growth of approximately 235% from the preceding year. The Board proposed a final dividend of RMB0.13 for the year, a moderate increase of approximately 62.5% compared to last year.

I am pleased to report to our shareholders the audited financial results of the Group for the year ended 31 December 2009. During the year, the Group achieved a consolidated revenue of RMB10,973,575,000, up approximately 16% compared to last year; profit attributable to the equity holders of the Company amounted to RMB502,239,000, soared by approximately 235% from last year; earnings per share was RMB0.758, registering a significant growth of approximately 235% from the preceding year. The Board proposed a final dividend of RMB0.13 for the year, being a moderate increase of approximately 62.5% compared to last year. Details of operating and financial performance of the Group will be discussed in the "Management Discussion and Analysis" section of this annual report.

During the first half of 2009, the world economies were severely impacted by the global financial tsunami, major industrialized countries such as the USA, Japan, Great Britain and other major European countries all stepped into an era of economic recession, registering the first time overall negative economic growth after the World War II, where we saw markets demand have been slack, unemployment rates have been climbing, and export trades have been difficult. The crisis has been extended and spread out rapidly in almost every corner of the world, the severe damages that it has done was unprecedented after the Great Depression in 1930's. The governments and central banks have collectively implemented a series of rescue and financial recovery measures to save the economies by lowering the interest rates and relaxing monetary policies. In the second quarter of 2009, we saw the resulting negative financial and economic impacts brought by the global financial tsunami beginning to ease and that the major capital and securities markets have experienced substantial rebound. Facing this global financial tsunami, PRC government, with no exception, has implemented a series of macro-economic stimulating policies, including without limitation to the RMB4,000 billion investments in fixed assets, relaxed banks' lending policies, providing policy guidelines to revitalize "the Ten Industries" in China to improve the livelihood of people, to maintain steady growth in export and to sustain steady economic growth.

The Group's three main core businesses, i.e. construction, property development, and building materials, have benefited in different degrees from the aforesaid government macro-economic stimulating policies, in particular in the areas of infrastructural development projects and fixed assets investments.

Though certain mega-infrastructural construction projects, such as railways, highways, port facilities projects, are dominated by some of the leading state-owned construction enterprises, certain supplementary construction facilities attaching thereto, such as railway stations, traffic terminal buildings, intersections of highway construction, government facilities for communities, conference and exhibition centres, sport facilities and airport terminals are the core and able competencies of the Group's construction business in which the Group is confident in securing these construction contracts and has laid a solid ground for future growth and prosperity.

Rooted in the Zhejiang Province and through years of dedicated hard work, the Group has successfully replicated the three-in-one business model in Anhui and Hubei Province. The Group is expected to continue to benefit from the increased government development projects and spending in these regions, which has paved a tremendous growth opportunity for the Group in the future.

On 12 January 2010, the state administration of the central government has approved the "Protocol plan for bridging links between cities and industries alongside the Yangtze River in Anhui Province" by relocating the industries from the Yangtze Delta, this has formalized the national development strategy plan in this region. As such, the cities along the Yangtze River will be modernized and developed as a new industrial region, which will attract incoming inhabitants from outside the region and at the same time will create enormous business growth opportunity for construction, housing and building materials industries. Through continued development in the past few years, Anhui Baoye has been recognised as a premium construction enterprise in the region; the property development projects located in Anhui including the Zhejiang Commercial Complex, City Green Garden, Baoye Tongcheng Green Garden projects have earned a very good reputation in that region. The Group believes that the aforesaid relocation of industries' Protocol Plan will offer Anhui Baoye a very prospective and bright future.

In recent years, Wuhan has been designated as one of the pilot cites in China for the development as a energy saving, and environmental friendly city in view of the development of Pudong, Shanghai and Bay District, Tianjin. Wuhan, located at the center of Hubei Province, being well connected with the Yangtze Delta region in the east and various major cities in the west reaping from its strategic location in the areas, will see an abundant demand for infrastructural construction projects brought by the national development plans in the region. Since the acquisition of the Hubei Construction Group including its twelve operating units in February 2006, Hebei Baoye has completed its re-organisation and restructuring plans. At present, the operations in construction, property development, and building materials business have remained normal. Hubei

Baoye has been able to change some of its industrial land use rights into commercial and residential use purpose, apart from the two residential property projects under development Baoye Moon Lake Garden and Xudong Yayuan, giving a total of construction areas of 112,600 square metres it has made another two applications to the government for two industrial sites in the prime location in the city of Wuhan. It is expected that the construction areas after change of land use would amount to approximately 340,000 square metres. The nearby areas of these two sites have already been developed into commercial district and high-end residential areas, therefore the room for future profitability for these two property development projects would be substantial.

The Group believes that the momentum for property development growth in China will remain strong. The growth is primarily powered by the continuing and steady economic growth, increased urbanization, and the increasing demand for improved housing quality. Short term changes in adverse economic environment and periodic government invention would not change the overall development trend for the industry as a whole. During the year of 2009, the real estate markets in China had undergone a short term adjustment and had been recovering speedily. The Group has grasped the perfect timing in selling Shanghai Jing'an Ziyuan at above target prices; and that the pre-sale of Shaoxing Daban Fengqing and Yuyuan, Hefei City Green Garden, Hefei Baoye Tongcheng Green Garden, and Hebei Baoye Moon Lake Garden projects have received very good market response and have recorded very satisfactory result, which have clawed back a large influx of cash flow to the Group during the year and have turned the Group into net cash position. This financial position will provide adequate financial support for the Group to acquire additional land and potential merger and acquisition target at appropriate time and reasonable cost. The Group will monitor closely on the change in economic condition and change in government policy. The Group remains optimistic in mid and long term development of its property development business and will increase its land bank from different sources at reasonable cost.

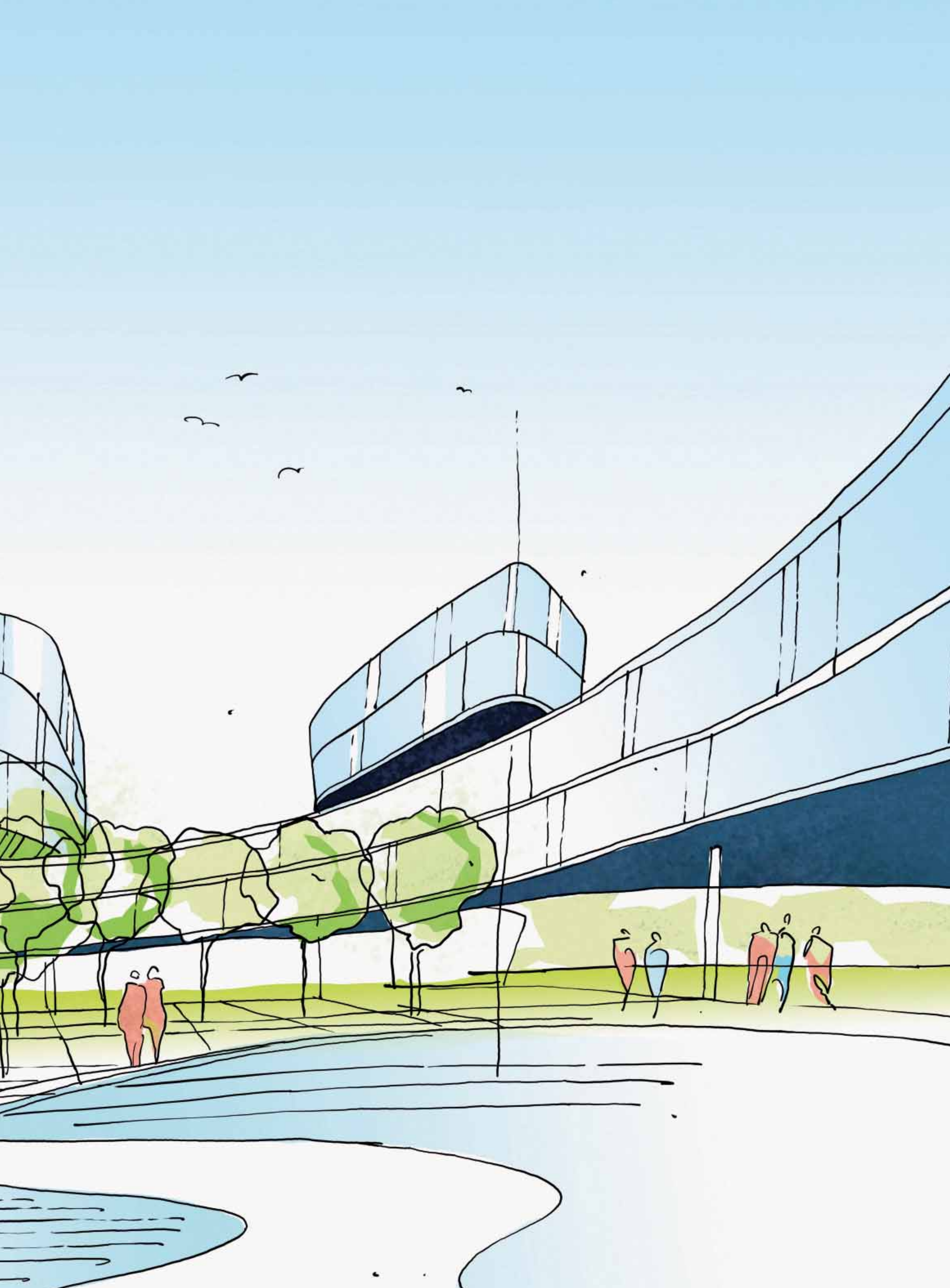
Leveraging on our professional experience accumulated over the previous years, the Group has been able to build a premium brand name, a reliable construction project management team, a quality land bank at low cost, a proprietary construction technology and industrialisation know-how and a focus and stable management team. Followed by the sustainability of economic growth in China, the Group will endeavor and continue to build its core competencies and competition capabilities to capitalize on its three-in-one business model in capturing business growth opportunity in the years to come. With the increasing effort and scale of development in our property development business, we have a high expectation on the Group's future profit growth.

Mr. Sun Chuanlin had tendered his resignation as independent non-executive director of the Company on 29 March 2010 for person reason; and on the same date, Mr. Chen Xingquan had also resigned as independent supervisor of the Company for personal reason. On behalf of the Board, I would like to extend my sincerest thanks to both Mr. Sun and Mr. Chen for their invaluable contribution and dedication to the Group during their tenure of office. The Board, based upon the recommendation of the Nomination Committee, has proposed to appoint Mr. Wang Youqing and Mr. Yuan Ajin as an independent non-executive director and a supervisor respectively, subject to approval by shareholders at the annual general meeting of the Company to be held on 17 June 2010. Mr. Wang is a well respected retired district attorney in Shaoxing. Mr. Yuan represents the shareholders to join the Supervisory Committee of the Company. We welcome Mr. Wang and Mr. Yuan in joining the Group and firmly believe that both Mr. Wang and Mr. Yuan will assist the Group in enhancing its corporate governance, upon which sets a solid foundation for the future development of the Group.

On behalf of the Board, I would like to extend my sincerest thanks to our shareholders, customers, vendors, banks, and other intermediaries for their patronage and continued support; special thanks to our management teams and loyal employees for their hard work and dedication to achieve success. With their unwavering effort, I expect to see another record year in 2010.

Pang Baogen
Chairman of the Board
29 March 2010


We Shape
the Future

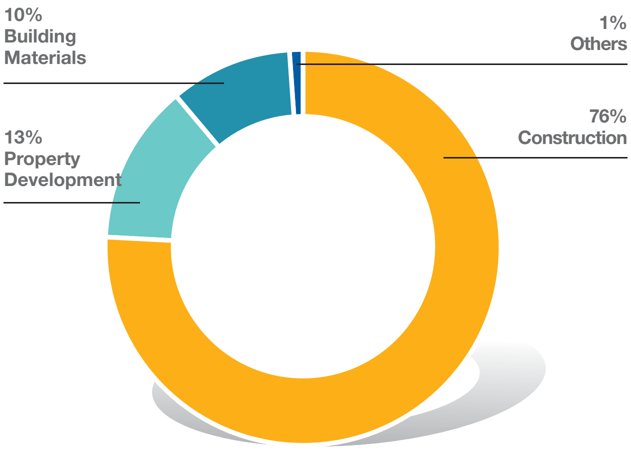


Results Review

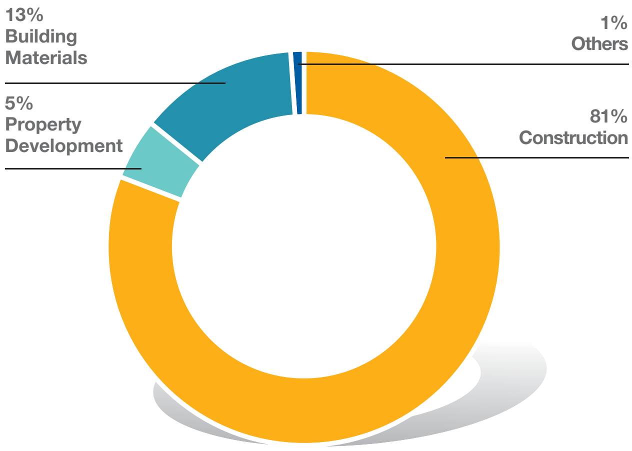
For the year ended 31 December 2009, the Group achieved a revenue of RMB10,973,575,000 (2008: RMB9,451,498,000), representing an increase of approximately 16% compared to the previous year; operating profit reached RMB909,796,000 (2008: RMB394,398,000), representing a robust growth of approximately 131%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

Revenue

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



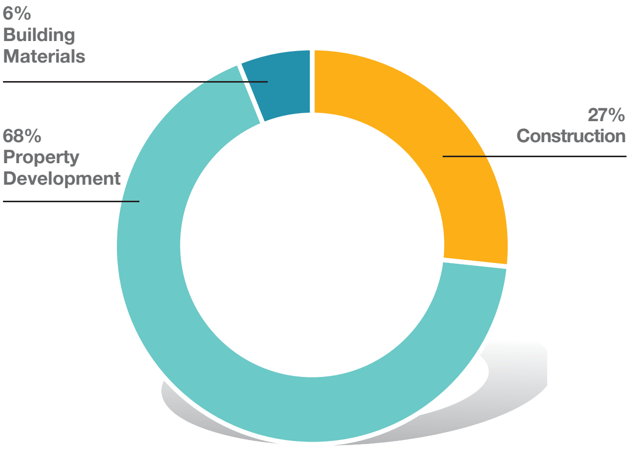
2009



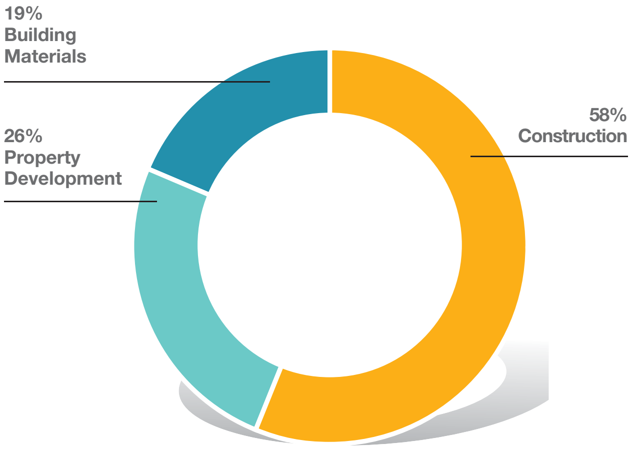
2008

Operating Profit

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



2009



2008

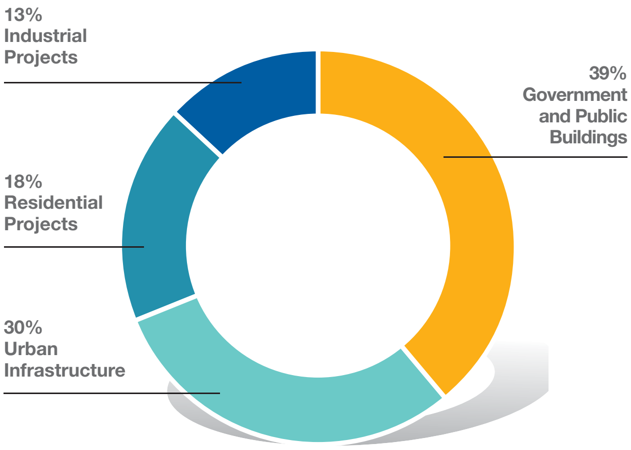
Construction

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

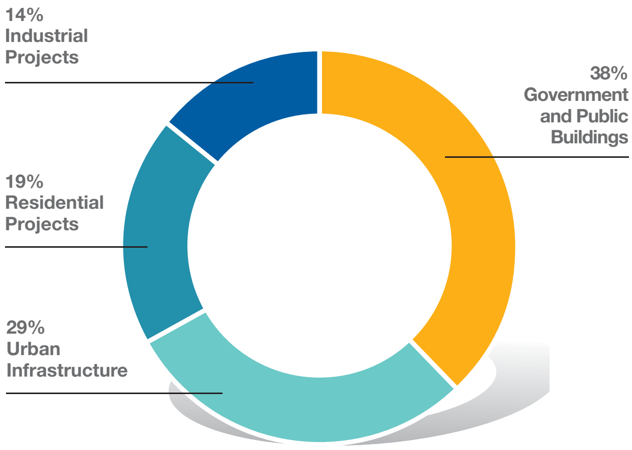
For the year ended 31 December 2009, the total contract value for construction-in-progress of the Group's construction business was RMB29,452,114,000, representing an increase of approximately 14% over last year, in which order backlog amounted to approximately RMB21 billion. In addition, new orders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

By project nature

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



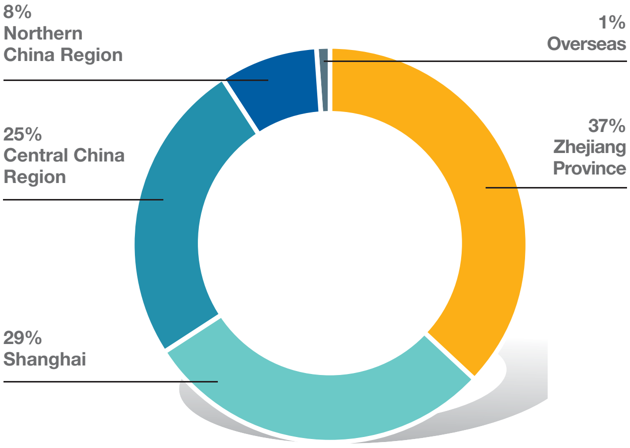
2009



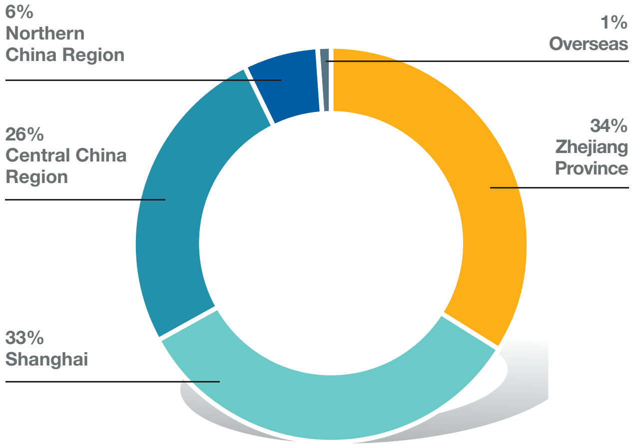
2008

By region

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



2009



2008

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

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

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

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

Property Development Business

Property Sales

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

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

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

Projects under development

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

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

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a "province-rank" resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilization flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from downtown of Shaoxing City, it is known as the "natural treasure in the heart of a city". Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres with 0.5 time plot ratio and a planned gross floor area of approximately 525,000 square metres for the development of deluxe villas, semi-detached villas, garden villas and town houses. It also consists of a golf club and a five-star resort hotel, a country park and a central lakeside garden with full-fledged facilities. The construction of a total of 100,000 square metres of Baoye Four Seasons Garden Phase I has been commenced and the pre-sale is expected to begin in the year of 2010.

Baoye Four Seasons Garden

Daban Fengqing

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

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

Yuyuan

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

City Green Garden

Baoye Tongcheng Green Garden

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

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

Baoye Moon Lake Garden

Xudong Yayuan

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

Acquisition of Land Reserves

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

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

Building Materials Business

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

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

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

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

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

Business Prospect

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

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

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

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

Jing'an Ziyuan

Kuaijishan Golf Club

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

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

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

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

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

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

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

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

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

Admiring Future for People

Financial Review

Treasury Policies

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

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

Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognized by the People's Bank of China in 2009. Such excellent credit rating will benefit the Group's financing activities and allows the Group to continue to enjoy the prime rate offered by the People's Bank of China. During the year, the Group maintained most of its borrowings on an unsecured basis. The amount of secured debt accounted for 26% (2008: 9%) of the total borrowings. In addition, approximately 19% of the total borrowings (2008: approximately 35%) were jointly guaranteed by the chairman of the Board, Mr. Pang Baogen, in his personal capacity and subsidiaries of the Group to the lending banks. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

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

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

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

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

Key Financial Ratios

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

Return on equity	=	profit attributable to 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
Net gearing ratio	=	net bank borrowings/total equity attributable to the Company's equity holders
Current ratio	=	current assets/current liabilities

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

Cash Flow Analysis

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

Note:

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

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

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

Land Appreciation Tax

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

External Guarantee and Fulfillment

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

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

Details of the charges on the Group's Assets

As at 31 December 2009, land use rights, buildings and properties under development at a total value of approximately RMB1,016,859,000 (as at 31 December 2008: RMB428,029,000) were pledged to banks as security in securing bank borrowings.

Capital Expenditure Plan

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

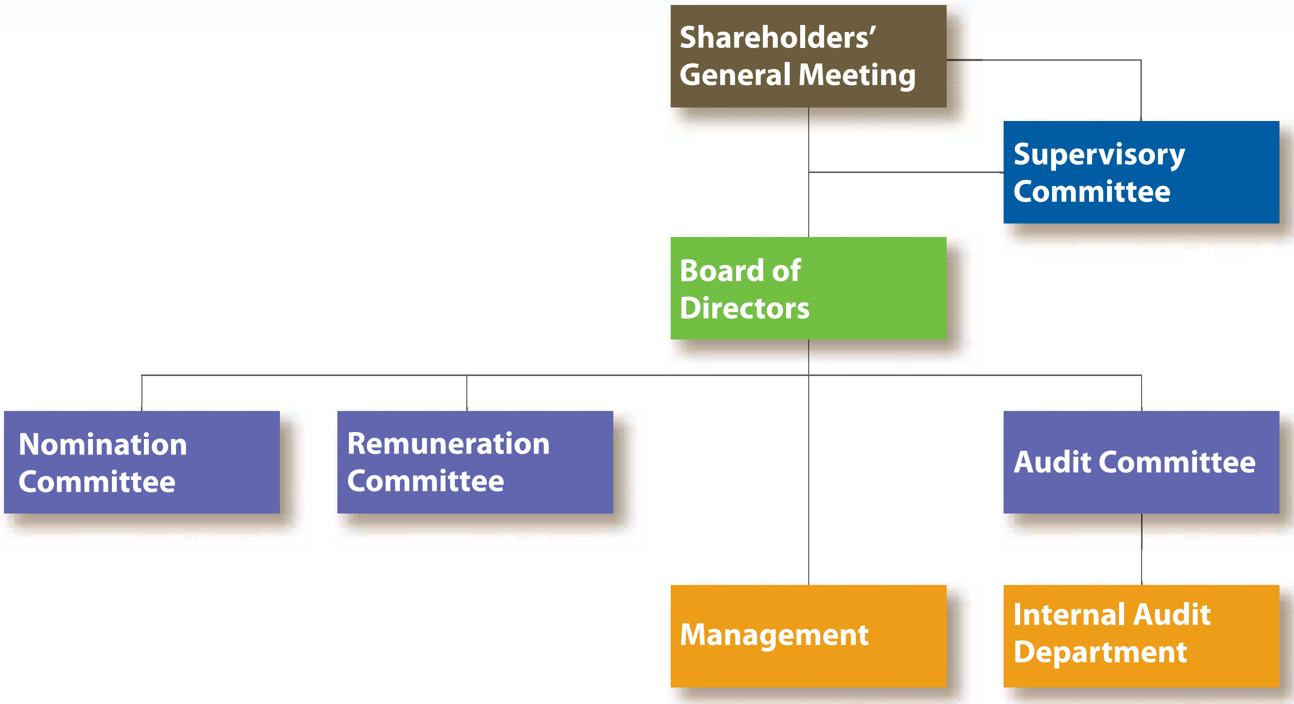
Adjustment of RMB Exchange Rate and Foreign Exchange Risks

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

Tailoring a Warm and Harmonious Home for People

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

Corporate Governance Structure



Shareholders' General Meeting

The shareholders' general meeting of the Company not only makes important and key decisions, but also serves as a direct communication platform for its directors, management and shareholders. In this respect, notice of shareholders' general meeting stating the particulars of the matters to be discussed, procedures of voting by poll, shareholders' voting rights, will be circulated to shareholders 20 clear business days before the date of shareholders' general meeting according to the latest revised Listing Rules.

Board of Directors

The Board manages the Group's operation and development strategies on behalf of its shareholders. The Board complies with the rules and regulations mandated by the articles of association of the Company in discharging its duties and responsibilities. The Company has five independent non-executive directors, constituting half of the members of the Board, which arrangement is above the minimum requirement under the Listing Rules. Among the independent non-executive directors, Mr. Chan Yin Ming, Dennis has professional accounting qualifications and possesses a breath of experience in accounting and financial management and Mr. Wang Youwei, Mr. Yi Deqing and Mr. Hu Shaozeng are renowned experts in the China construction industry. Mr. Sun Chuanlin has acquired rich government management experience and working knowledge of the economic development of Shaoxing City. The five independent non-executive directors make their own contributions to the Board. They provide the Group with very crucial and valuable professional advice not only on business and operations, but also on management controls.

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

The remunerations of each of the directors of the Company are disclosed on an individual basis, details of which are set out in note 33 to the consolidated financial statements. Since its listing, the Company maintained liability insurance for its directors, supervisors and senior management each year.

Board Meeting

The Board held a total of four meetings during the year. The attendance of each of the directors is set out in the table below. The relevant senior management and members of the supervisory committee of the Group had all attended the board meetings held during the year. Directors received the notice of board meeting at least 14 days before the date on which board meeting was held and all of the directors are offered opportunities to suggest any issue for discussion included in meeting agenda. All the minutes of board meetings are filed and accessible to all directors at any time.

Attendance of Board Meeting

Name	Attendance/Number of board meetings
Executive Directors	
Mr. Pang Baogen	4/4
Mr. Gao Lin	4/4
Mr. Gao Jiming	4/4
Mr. Zhou Hanwan	4/4
Mr. Wang Rongfu	4/4
Independent Non-executive Directors	
Mr. Wang Youwei	4/4
Mr. Yi Deqing	4/4
Mr. Hu Shaozeng	4/4
Mr. Chan Yin Ming, Dennis	4/4
Mr. Sun Chuanlin	4/4

Audit Committee

The audit committee of the Company was established following the listing of the Company. All members of the audit committee are independent non-executive directors, comprising Mr. Wang Youwei (chairman of the audit committee), Mr. Yi Deqing and Mr. Chan Yin Ming, Dennis. The terms of reference of the Company's audit committee are formulated in accordance with the recommendations in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The primary duties of the audit committee are to review and supervise the Group's financial reporting procedures and internal audit scheme formulated by the internal audit department of the Group and review the reports submitted by the internal audit department. It is also responsible for reviewing affairs related to the appointment, resignation and replacement of independent auditors as well as assessing the auditors' performance and whether their audit fees are reasonable, and providing relevant recommendations to the Board. The audit committee held a total of two meetings during the year and the three members have all attended the two meetings. The major tasks accomplished during the year include:

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

Remuneration Committee

The remuneration committee is responsible for formulating the remuneration policy in respect of directors, supervisors and senior management, assessing the performance of the executive directors and approving the terms of their service contracts. The remuneration committee comprises two independent non-executive directors, Mr. Chan Yin Ming, Dennis (chairman of the remuneration committee) and Mr. Yi Deqing, and one executive director, Mr. Pang Baogen. The remuneration committee of the Company held one meeting during the year of 2009 and all three members attended the meeting. The remuneration committee regularly reviews the compensation schemes of all directors and ensures these compensation schemes are appropriate.

Nomination Committee

The nomination committee comprises of two independent non-executive directors, Mr. Wang Youwei (chairman of the nomination committee) and Mr. Yi Deqing, and one executive director, Mr. Gao Jiming. The nomination committee held one meeting in 2009 and all three members attended the meeting, to transact the following business:

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

Internal Controls Mechanism

Supervisory Committee

The supervisory committee is the standing supervisory organisation of the Company, which is responsible for supervising the functions of the Board and its members and the management such as the general managers and deputy general managers. The supervisory committee comprises five supervisors, who will serve for a term of three years and are eligible for re-election. The number of members and composition of the supervisory committee of the Company comply with the requirements of the relevant laws and regulations. The supervisory committee comprises Mr. Kong Xiangquan (chairman of the supervisory committee), Mr. Qian Yongjiang and independent supervisors, Mr. Chen Xingquan, Mr. Li Yongsheng and Mr. Zhang Xindao. The supervisory committee is accountable to the shareholders meeting and exercises the following authority in accordance with the applicable laws.

– examining the financial statements of the Company;

– supervising the directors, general managers, deputy general managers and other senior management in the performance of their duties to prevent them from breaching the laws, administrative regulations or the Company's articles of association;

– requiring the directors, general managers, deputy general managers and other senior management to rectify behaviors which will prejudice the interests of the Company;

– verifying the financial information, such as financial reports and profit appropriation proposals, which intended to be submitted to the shareholders' general meeting by the Board and appointing certified public accountants and auditors in the name of the Company to assist in re-auditing whenever the committee is in doubt with these information;

– proposing to convene extraordinary general meeting; and

– negotiating with or initiating litigations against directors on behalf of the Company.

The supervisory committee convened two meetings during the year and all of the five supervisors attended the meetings. The supervisors of the Company also attended all board meetings during the year. The supervisory committee has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules as its own code of conduct regarding the securities transactions by the supervisors. Having made specific enquiries with each supervisor, all supervisors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2009.

Internal Audit

The Company has established an internal audit department since listing. The internal audit department is independent from the finance department or other management departments. It reports directly to the audit committee and the Board. The primary duties of the internal audit department are to monitor and review the effectiveness of the operation of the financial, operational and compliance control as well as risk management systems of the Company and its subsidiaries. During the year, it has reviewed, monitored, and submitted reports on review and approval system for use of capital, financial budgeting system, system governing signing of contracts and bidding budget; and final settlement and control system according to the internal audit plans. In addition to completing the tasks in accordance with the internal audit plans, the Company's internal audit department has conducted special purpose auditing on certain subsidiaries and branches of the Group during the year. It has proposed a number of constructive recommendations for adoption by certain subsidiaries and branches to improve their deficiencies.

Chief Financial Officer

Mr. Fung Ching, Simon, a qualified accountant in Hong Kong, is the chief financial officer of the Group and is also the secretary to the Board. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the CPA Australia.

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 2009, except that the role of the chief executive officer of the Group has been assumed by Mr. Pang Baogen, the chairman of the Board. Three general managers have been appointed to 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.

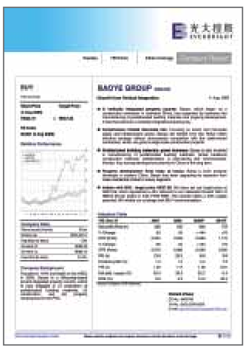
Investor Relations

The Company firmly believes that investor relations are an important aspect of a listed company. Transparency and high efficiency in disclosing accurate corporate information pertaining to operating conditions, development strategies, results of operations and prospects are important to investors. The Company endeavors to interact with its investors, enhance transparency and corporate governance, which enhance shareholders value and create a win-win situation for the Company, its investor and potential investors.

Impacted by the global financial tsunami, bad news, false or exaggerated information flooded the capital and equities markets. The Company believes that it should maintain an active role in investor relations and take a positive stance to directly communicate with investors more promptly. During the year, the management of the Company has conducted hundreds of interviews with analysts and investors to update them on the new developments of the Group, the strategies adopted by the Group to withstand the negative impacts brought by the global financial tsunami and the Group's financial position to enhance transparency and confidence level of the investors.

The Company's share price still experienced a dramatic slip during that pessimistic period. Yet our share price bounced back significantly when the market turned rational subsequently. During the year and up until the date of this annual report, First Shanghai Securities Limited, China Everbright Research Limited and Guoyuan Securities (HK) Co., Ltd had published their research reports respectively tabulated as below:

Date	Research Institutes	Target Price	Recommendation
26 May 2009	First Shanghai Securities Limited	HK$6.96	Buy
4 August 2009	China Everbright Research Limited	HK$7.28	Buy
8 September 2009	First Shanghai Securities Limited	HK$7.84	Buy
10 September 2009	China Everbright Research Limited	HK$7.97	Buy
28 January 2010	Guoyuan Securities (HK) Co., Ltd	HK$8.79	Buy


During the year and up until the date of this annual report, in addition to receiving many investors and analysts visiting the Company and attending "one-on-one" meetings at the Company's premises, the Company also attended the following important investor relations activities:

Date	Activities	Organiser	Venue
12-16 January 2009	UBS Greater China Conference 2009	UBS	Shanghai
14 April 2009	Baoye Investors Meeting	First Shanghai	Shenzhen
14-16 September 2009	CLSA China Forum 2009	CLSA	Shanghai
7 December 2009	China Everbright Corporate Day	China Everbright	Hong Kong
18-20 January 2010	UBS Greater China Conference 2010	UBS	Shanghai
23 February 2010	HK & China Small/Mid Cap Corporate Access Day	J.P. Morgan	Hong Kong

Biographical Details of Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Pang Baogen, born in 1957, is the founder, chairman of the Board and chief executive officer of the Group. Mr. Pang is one of the experts who has received the special award of the State Council and is a member of the expert committee for the China Construction Reform and Development under the Ministry of Housing and Urban-Rural Development of the People's Republic of China. He holds a professor level senior engineer qualification. He is well respected and recognised in the construction industry in China and has received awards including Model Worker of National Construction System, Advanced Individual of National Sustainable Communities, Outstanding Manager in Zhejiang Province, as well as Youth scientific and technical worker with Outstanding Contributions to Zhejiang Province. Mr. Pang has extensive experience in the construction technology field and of enterprise management. He actively promotes independence and innovation, and takes on national topics such as "risk-prevention in big projects" and "transforming the construction industry with information technology". At the same time, he guides the Group in undergoing various revolutions in management controls and operation mechanism. He also explores and executes the "three-in-one" business model and the "regional management centre" model. Besides, Mr. Pang is also the vice-chairman of the Construction Companies Committee in China, the vice-chairman of Construction Association in Zhejiang, representative of the 11th People's Congress of Zhejiang Province and director of the Institute of Construction and Housing Industrialisation of National Construction Engineering Technology Research Center.

Mr. Gao Lin, born in 1970, is an executive director and managing deputy general manager of the Company, a director and the general manager of Baoye Hubei Construction Group Company Limited. He holds a professor level senior engineer qualification and is a graduate of the Fudan EMBA Programme. He is also a senior professional manager of the construction industry in China. He was awarded as the National Excellent Construction Entrepreneur, a celebrity in the national important infrastructure construction, apprentice of Luban, the Top 10 Outstanding Entrepreneurs of Construction Industry in Zhejiang Province, Outstanding Entrepreneur in Hubei Province, Outstanding Youth in Hubei Province, Model Worker of Hubei Province, Talent for Economic Development of Shaoxing City, Model Worker of Shaoxing City. He is currently a standing committee member of the Federation of Industry and Commerce in Hubei Province, a committee member of the 11th Hubei Youth Union Committee, vice chairman of the Youth Union of the Direct Departments of Hubei Province, vice chairman of the Hubei Enterprises Union, vice-chairman of Construction Industry Association in Hubei, vice-chairman of Construction Industry Association in Wuhan, representative of the 13th People's Representative Congress of Wuchang District, Wuhan City and a member of the construction and environment protection committee in Wuchang District, Wuhan City. He joined the Group in 1987.

Mr. Gao Jiming, born in 1962, is an executive director and deputy general manager of the Company. He is a graduate of the China University of Geosciences, majoring in civil engineering and holds a senior engineer qualification. He is a committee member of the Real Estate Association in Zhejiang Province and Shaoxing City, and vice-chairman of the Real Estate Association of Shaoxing County. He joined the Group in 1978.

Mr. Zhou Hanwan, born in 1954, is an executive director and deputy general manager of the Company. Mr. Zhou is also the executive chairman of Zhejiang Baoye Building Materials Industrialisation Company Limited. He holds a professor level senior engineer qualification. He is currently a committee member of the Concrete Section of China Construction Industry Association, the deputy secretary of Concrete Association of Zhejiang Province and the vice-chairman of Concrete Association of Shaoxing City. He joined the Group in 1984.

Mr. Wang Rongfu, born in 1954, is an executive director of the Company and chairman of Zhejiang Baoye Construction Group Company Limited. Mr. Wang holds a professor level senior engineer qualification. He was awarded the National Outstanding Construction Project Manager, National Outstanding Construction Entrepreneur, Outstanding Construction Company Manager of Zhejiang, Top 10 Outstanding Entrepreneurs of construction in Zhejiang, Model Worker of Shaoxing City, Talent with great contribution to the development of Shaoxing City. He also has been appointed the lead member of the onsite inspection of the premier national construction projects. He joined the Group in 1976.

Independent Non-executive Director

Mr. Wang Youwei, born in 1945, is an independent non executive director and chairman of the audit and nomination committees of the Company. He graduated from Tongji University, majoring in underground construction in 1968 and completed his graduate studies in construction theories in Tsinghua University in 1975. He holds a professor level qualification. He is currently the chief consulting engineer of the China Construction Science Research Institute, a consultant of the Expert Panel of the Government of Beijing City, a member of the National Construction Technology Bureau, a council member of the Research Institute of Urbanisation, the director of the National Green Construction and Energy Saving Committee, the deputy director of the Expert Panel of the China Construction Association, a director of the China Construction Engineering Association and the chief editor of the Construction Structure Journal.

Mr. Yi Deqing, born in 1935, is an independent non-executive director, a member of audit, nomination and remuneration committees of the Company. He graduated from Zhejiang University in 1956 majoring in civil engineering. He holds the qualifications of National Chartered First-class Structure Engineer and professor-level senior engineer. Mr. Yi has been awarded the Master of China Construction Design and model worker of the Ministry of Construction. He is currently the chief consulting engineer of the Zhejiang Province Construction Design Research Institute, a committee member of China Civil Engineering Association, a deputy director and officer-in charge of the Construction Technology Committee of Zhejiang Province, a deputy director and officer-in charge of the Earthquake Prevention Committee of Zhejiang Province, a deputy director of Zhejiang Civil Engineering Construction Association, a Senior consultant of the Zhejiang Construction Design Assessments Association, and a consultant of the Zhejiang Construction Quality and Safety Association and Zhejiang Construction Industry Association.

Mr. Hu Shaozeng, born in 1935, is an independent non-executive director of the Company. Mr. Hu graduated from Tongji University, majoring in industrial and residential construction. He holds a senior engineer qualification. He has served as the dean of the Construction Committee of Zhejiang Province, the dean and deputy chief engineer of Zhejiang Provincial Department of Construction, a secretary of the Zhejiang Construction Industry Association, a vice chairman and the chief secretary of the Zhejiang Construction and Management Association and a branch vice chairman of the China Construction and Management Association. Mr. Hu is currently a consultant of the China Construction Industry Association and Zhejiang Construction and Management Association.

Mr. Chan Yin Ming, Dennis, born in 1954, a Canadian living in Hong Kong, is an independent non-executive director, chairman of remuneration committee and a member of audit committee of the Company. Mr. Chan is a graduate of the John Molson School of Business of Concordia University, Canada and has obtained a professional diploma in accountancy from the McGill University, Canada. Mr. Chan is an associate member of the Chartered Institute of Management Accountants, United Kingdom (ACMA), an association member of the Institute of Chartered Secretaries and Administrators, United Kingdom (ACIS), a member of Chartered Institute of Purchasing and Supply, United Kingdom (MCIPS) and a member of Canadian Institute of Chartered Accountants (CA). Mr. Chan is currently a director and senior vice president of Alliance Capital (Asia) Limited. Prior to that, Mr. Chan had been directors and chief financial officers of various listed and unlisted companies in Hong Kong, Singapore and the United States of America. Mr. Chan has more than 33 years of experience in public accountancy, management consultancy, manufacturing, distribution, telecommunications retailing, logistics and financial services.

Mr. Sun Chuanlin, born in 1948, is an independent non-executive director of the Company. Mr. Sun is a qualified engineer and previously served as the secretary of the communist party committee of Yangxunqiao, the secretary of the communist party of Qixian District, a deputy director of the Village and Township Enterprises Bureau of Shaoxing City, a deputy general manager of Shaoxing Vegetable Production and Sales Company, and a deputy general manager and secretary of the communist party of Shaoxing Joint Development Corporation.

Supervisors

Mr. Kong Xiangquan, born in 1959, a qualified senior engineer, is the general manager of the Zhejiang Baoye Communications Construction Company Limited. He joined the roup in 1975.

Mr. Qian Yongjiang, born in 1967, graduated from China University of Geosciences, majoring in industrial and residential construction, a qualified senior engineer. Mr. Qian is currently acting as the deputy general manager of Zhejiang Baoye Construction Group Company Limited. He joined the Group in1984.

Independent Supervisors

Mr. Chen Xingquan, born in 1928, is an independent supervisor of the Company. Mr. Chen is a certified public accountant in the PRC and is experienced in accounting, auditing and financial management.

Mr. Li Yongsheng, born in 1940, is an independent supervisor of the Company. Mr. Li was the district attorney of Shaoxing District Attorney Office during the period between 1994 and 1998. Currently he is the honorary consultant of Shaoxing Sports Association and the vice president of the Union of Political Consultative Congress in Shaoxing City.

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

Senior Management

Mr. Huang Fenyong, born in 1956, is a deputy general manager of the Company. He was a deputy officer of the Shaoxing City Construction Management Bureau and a deputy director of the Shaoxing City Chengdong Development Zone. Mr. Huang holds an engineer qualification. He joined the Group in 2003.

Mr. Fung Ching Simon, born in 1969, is the chief financial officer and secretary to the Board of Directors. Mr. Fung graduated from the Queensland University of Technology in Australia, majoring in accounting. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the CPA Australia. He joined the Group in 2004. Prior to joining the Group, he has over 10 years of experience in auditing, accounting and business advisory with a "Big-4" international accounting firm. Mr. Fung is currently an independent non-executive director of Hainan Meilan International Airport Company Limited, a company listed on the main board of the HKEx (stock code: 0357).

Mr. Gao Jun, born in 1972, is a deputy general manager of the Company and the general manager of Baoye Group Anhui Company Limited. Mr. Gao graduated from the China University of Geosciences, major in civil engineering, and holds a senior engineer qualification. Mr. Gao is currently a representative of the 14th People's Representative Congress of Hefei City, a standing committee member of the Anhui Youth Union, executive chairman of the Zhejiang Enterprises Union in Anhui, vice chairman of the Anhui Journalist Union and a standing committee member of the Hefei Industrial and Commercial Chamber. He joined the Group in 1989.

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

Mr. Jin Jixiang, born in 1967, is a director and the general manager of Zhejiang Baoye Construction Group Company Limited. Mr. Jin graduated from the China University of Geosciences, majoring in civil engineering and holds a senior engineer qualification. He was awarded the national excellent decoration entrepreneur, Top 10 Outstanding Entrepreneurs of Construction in Zhejiang, Outstanding Manager of Construction in Zhejiang, Model Worker of Shaoxing City and the Advanced Productivity Worker of Shaoxing City. He joined the Group in 1985.

Mr. Lou Zhonghua, born in 1968, is a director and the general manager of Zhejiang Baoye Real Estate Group Company Limited. He graduated from the China University of Geosciences, majoring in civil engineering and holds a senior engineer qualification. He joined the Group in 1986.

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

Directors' Report

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2009.

Principal Activities

The principal activities of the Group are the provision of construction service, manufacture and distribution of building materials and development and sale of properties. The activities of the Company's principal subsidiaries are set out in note 11 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Financial Positions and Results

The financial positions of the Group and the Company as at 31 December 2009 are set out in the balance sheets of the consolidated financial statements prepared in accordance with HKFRS on pages 53 to 55.

The results of the Group for the year ended 31 December 2009 prepared in accordance with HKFRS are set out in the consolidated income statement on page 56.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 5 of the annual report.

Reserves

Details of movements in reserves of the Group and the Company during the year are set out in the note 23 to the consolidated financial statements.

Distributable Reserves

According to the relevant laws and regulations in the PRC, the reserves of the Company available for distribution to the equity holders amounted to RMB243,708,000 as at 31 December 2009 (2008: RMB201,018,000).

Dividends

At the board meeting held on 29 March 2010, the Board proposed a final dividend of RMB0.13 (2008: RMB0.08) per ordinary share for the year ended 31 December 2009.

Segment Information

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

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

The segment information for the year ended 31 December 2009 is set out in note 5 to the consolidated financial statements.

Major Customers and Suppliers

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

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

Fixed Assets

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

Purchase, Sale or Redemption of Shares of the Company

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

Directors and Supervisors

The directors and supervisors of the Company for 2009 are as follows:

Directors

Executive Directors

Mr. Pang Baogen *(Chairman of the Board)*
Mr. Gao Lin
Mr. Gao Jiming
Mr. Zhou Hanwan
Mr. Wang Rongfu

Independent Non-executive Directors

Mr. Wang Youwei
Mr. Yi Deqing
Mr. Hu Shaozeng
Mr. Chan Yin Ming, Dennis
Mr. Sun Chuanlin

Supervisors

Supervisors

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

Independent Supervisors

Mr. Chen Xingquan
Mr. Li Yongsheng
Mr. Zhang Xindao

Changes of Directors, Supervisors and Senior Management

During the year of 2009, there is no change of directors, supervisors or senior management.

Biographical Details of Directors, Supervisors and Senior Management

Brief biographical details of the directors, supervisors and senior management of the Group are set out on page 38 to 42 of the annual report.

Remuneration of Directors

The remuneration of the directors of the Company is disclosed on an individual named basis in note 33 to the consolidated financial statements.

Highest Paid Individuals

During the year, the relevant information of the five individuals with the highest remuneration of the Group is disclosed in note 33 to the consolidated financial statements.

Independence of Independent Non-executive Directors

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

Interests of Directors, Supervisors and Senior Management

As at 31 December 2009, the interest and short position of each director, supervisor and senior management of the Company in the shares, underlying shares or debentures of the Company or any associated corporation within the meaning of Part XV of the SFO which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and HKEx were as follows:

Directors/ Senior Management	Relevant entity	Capacity	No. of domestic shares (Long position)	Approximate percentage of the total registered capital of the relevant entity
Directors				
Mr. Pang Baogen	The Company	Individual	198,753,054	29.98%
Mr. Pang Baogen	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	361,244	0.71%
Mr. Gao Jiming	The Company	Individual	13,024,647	1.96%
Mr. Gao Jiming	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	180,622	0.36%
Mr. Gao Lin	The Company	Individual	9,544,775	1.44%
Mr. Gao Lin	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	0.24%
Mr. Zhou Hanwan	The Company	Individual	8,233,510	1.24%
Mr. Zhou Hanwan	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	0.24%
Mr. Wang Rongfu	The Company	Individual	7,147,039	1.08%
Mr. Wang Rongfu	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	0.24%
Senior Management				
Mr. Sun Guofan	The Company	Individual	11,705,283	1.77%
Mr. Gao Jun	The Company	Individual	5,794,259	0.87%
Mr. Lou Zhonghua	The Company	Individual	5,633,172	0.85%
Mr. Lou Zhonghua	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	0.24%
Mr. Wang Rongbiao	The Company	Individual	2,647,911	0.40%
Mr. Jin Jixiang	The Company	Individual	2,440,527	0.37%

Directors' and Supervisors' Service Contract

At the 2007 annual general meeting held on 15 June 2008, all appointed directors and supervisors signed their respective new service contracts or appointment letters with the Company, the term of which will expire at the conclusion of the 2010 annual general meeting of the Company. The Company has not signed any service contract, with any director or supervisor, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' and Supervisors' Interests in Contracts

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

Directors' and Supervisors' Rights to Acquire Shares or Debentures

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

Interests of Directors in Competing Business

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

Details of Share Offering and Placing

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

Share Capital

As at 31 December 2009, there was a total share capital of 662, 964, 005 shares of the Company in issue, which includes:

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

Public Float

Based on the information that is publicly available to the Company and to the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued share as required under the Listing Rules.

Substantial Shareholders

At 31 December 2009, so far as was known to the Directors, the following persons, other than the directors, supervisors and senior management of the Company, have an interest in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of H shares of the Company held (Long position)	Approximate percentage of the total issued H shares	Approximate percentage of the total registered capital
Atlantis Investment Management Ltd	65,104,000	20.85%	9.82%
JPMorgan Chase & Co.	28,088,000	8.99%	4.24%
HSBC Global Asset Management (Hong Kong) Limited	28,000,000	8.96%	4.22%
Henderson Global Investors Limited	19,498,000	6.24%	2.94%

Human Resources

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

Connected Transactions

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

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the articles of association of the Company and related laws of HK and the PRC, which would oblige the Company to offer new shares on pro-rata basis to the existing shareholders of the Company.

Policies on Income Tax

For the year ended 31 December 2009, the Company and its subsidiaries basically paid PRC corporate income tax at a rate of 25% of its assessable profits according to the relevant laws and regulations in the PRC. Details of the Group's income tax are disclosed in note 35 to the consolidated financial statements.

External Guarantee and Fulfillment

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

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 building ownership certificates of such properties are delivered to the banks as securities.

Litigation and Arbitration

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

Entrusted Deposits and Overdue Time Deposits

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

Code on Corporate Governance Practices

As at the date of this report, the Group has complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the year, except that the role of the chief executive officer of the Group has been assumed by Mr. Pang Baogen. For details, please refer to the Corporate Governance Report as set out in this annual report.

Auditors

PricewaterhouseCoopers is appointed as the Group's international auditor, and Shinewing CPAs Company Limited ("Shinewing") is appointed as the Group's statutory auditor. The financial statements contained in this annual report were prepared in accordance with Hong Kong Financial Reporting Standards and have been audited by PricewaterhouseCoopers.

The remuneration of the auditors in the year 2009 is set out as follows:

	2009		2008	
	Audit fees ***RMB'000***	**Other fees*** ***RMB'000***	Audit fees *RMB'000*	Other fees* *RMB'000*
PricewaterhouseCoopers	**2,800**	**–**	2,800	–
Shinewing	**480**	**35**	360	30

* Other fees were primarily disbursement for travel expenses.

A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers and Shinewing as the Group's international auditor and statutory auditor respectively.

Closure of Register of Member

The register of members of the Company will be closed from 17 May 2010 to 17 June 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to attend and vote in the annual general meeting to be held on 17 June 2010, all transfer forms, accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for holders of the Company's H Share) no later than 4:00 pm on 14 May 2010.

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
29 March 2010

Supervisors' Report

To the Shareholders,

In the year 2009, the supervisory committee of Baoye Group Company Limited (the "Supervisory Committee), in compliance with the provision of the Company Law of the People's Republic of China, the Listing Rules and the articles of association of the Company, under their fiduciary duties, took an active role to work reasonably and cautiously to protect the interests of the Company and its shareholders.

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

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

The Supervisory Committee is satisfied with the achieved operating results and cost-effectiveness of the Company in 2009 and has great confidence in the future of the Company.

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

By Order of the Supervisory Committee
Baoye Group Company Limited
Kong Xiangquan
Chairman

Zhejiang, the PRC
29 March 2010

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

TO THE SHAREHOLDERS OF BAOYE GROUP COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Baoye Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 53 to 112, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2010

Consolidated Balance Sheet

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000 (Restated)	As at 1 January 2008 RMB'000 (Restated)
ASSETS				
Non-current assets				
Land use rights	6	**529,264**	446,220	465,996
Property, plant and equipment	7	**902,696**	856,243	760,593
Investment properties	8	**–**	45,235	43,533
Goodwill	9	**16,534**	16,534	16,534
Properties under development	10	**–**	356,508	1,141,184
Interest in jointly controlled entity	12	**305,556**	533,958	536,550
Investment in associates	13	**29,378**	28,828	31,175
Available-for-sale financial assets	15	**5,340**	5,340	–
Deferred income tax assets	29	**31,445**	27,434	16,314
		1,820,213	2,316,300	3,011,879
Current assets				
Inventories	16	**108,690**	117,558	116,291
Properties under development	10	**2,552,347**	1,443,183	853,519
Completed properties held for sale		**369,217**	800,377	189,898
Due from customers on construction contracts	17	**1,581,402**	1,317,626	866,751
Trade receivables	18	**617,593**	646,345	656,635
Other receivables	19	**1,011,054**	974,822	931,352
Restricted bank deposits	20	**239,756**	462,631	248,067
Cash and cash equivalents	21	**1,677,452**	1,361,170	817,658
		8,157,511	7,123,712	4,680,171
Total assets		**9,977,724**	9,440,012	7,692,050
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	22	**662,964**	662,964	662,964
Share premium	22	**847,295**	847,295	847,295
Reserves	23	**122,527**	132,846	146,746
Retained earnings				
– Proposed final dividend	24, 37	**86,185**	53,037	46,407
– Others	24	**1,655,676**	1,251,037	1,155,225
		3,374,647	2,947,179	2,858,637
Minority interests		**104,542**	43,349	37,771
Total equity		**3,479,189**	2,990,528	2,896,408

	Note	As at 31 December 2009 RMB'000	2008 RMB'000 (Restated)	As at 1 January 2008 RMB'000 (Restated)
LIABILITIES				
Non-current liabilities				
Borrowings	*28*	**310,000**	187,000	120,000
Deferred income tax liabilities	*29*	**64,072**	77,904	88,775
		374,072	264,904	208,775
Current liabilities				
Trade payables	*25*	**964,012**	738,371	706,462
Other payables	*26*	**859,264**	766,176	622,556
Receipts in advance	*27*	**1,376,476**	1,244,750	689,268
Current income tax liabilities		**379,267**	250,051	175,790
Due to customers on construction contracts	*17*	**1,209,734**	850,011	541,640
Borrowings	*28*	**1,335,710**	2,335,221	1,851,151
		6,124,463	6,184,580	4,586,867
Total liabilities		**6,498,535**	6,449,484	4,795,642
Total equity and liabilities		**9,977,724**	9,440,012	7,692,050
Net current assets		**2,033,048**	939,132	93,304
Total assets less current liabilities		**3,853,261**	3,255,432	3,105,183

The notes on page 60 to 112 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 53 to 112 were approved by the Board of Directors on 29 March 2010 and were signed on its behalf.

Pang Baogen
Director

Gao Jiming
Director

Balance Sheet

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000 (Restated)	As at 1 January 2008 RMB'000 (Restated)
ASSETS				
Non-current assets				
Land use rights	6	**10,016**	10,338	10,660
Property, plant and equipment	7	**35,457**	34,456	34,367
Properties under development	10	**–**	253,538	271,214
Investment in subsidiaries	11(a)	**849,411**	714,711	668,980
Interest in jointly controlled entity	12	**435,532**	613,597	536,550
		1,330,416	1,626,640	1,521,771
Current assets				
Amounts due from subsidiaries	11(b)	**28,304**	249,194	668,738
Other receivables	19	**250**	50,485	57,071
Cash and cash equivalents	21	**492,488**	399,489	88,451
		521,042	699,168	814,260
Total assets		**1,851,458**	2,325,808	2,336,031
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	22	**662,964**	662,964	662,964
Share premium	22	**847,295**	847,295	847,295
Reserves	23	**79,590**	68,175	66,980
Retained earnings				
– Proposed final dividend	24, 37	**86,185**	53,037	46,407
– Others	24	**157,523**	147,981	173,438
Total equity		**1,833,557**	1,779,452	1,797,084
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	29	**515**	515	515
Current liabilities				
Trade payables		**–**	–	10,671
Other payables	26	**11,490**	12,945	23,865
Current income tax liabilities		**5,896**	5,896	5,896
Borrowings	28	**–**	527,000	498,000
		17,386	545,841	538,432
Total liabilities		**17,901**	546,356	538,947
Total equity and liabilities		**1,851,458**	2,325,808	2,336,031
Net current assets		**503,656**	153,327	275,828
Total assets less current liabilities		**1,834,072**	1,779,967	1,797,599

The notes on pages 60 to 112 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 53 to 112 were approved by the Board of Directors on 29 March 2010 and were signed on its behalf.

Pang Baogen
Director

Gao Jiming
Director

Consolidated Income Statement

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000 (Restated)
Revenue	5	**10,973,575**	9,451,498
Cost of sales	32	**(9,834,357)**	(8,834,696)
Gross profit		**1,139,218**	616,802
Other income	30	**42,763**	45,343
Other gains – net	31	**55,336**	26,044
Selling and marketing costs	32	**(43,205)**	(25,275)
Administrative expenses	32	**(284,316)**	(268,516)
Operating profit		**909,796**	394,398
Finance costs	34	**(43,706)**	(97,227)
Share of losses of jointly controlled entity	12	**(5,639)**	(2,592)
Share of losses of associates	13	**(50)**	(2,347)
Profit before income tax		**860,401**	292,232
Income tax expense	35	**(274,169)**	(136,610)
Profit for the year		**586,232**	155,622
Attributable to:			
– Equity holders of the Company		**502,239**	150,044
– Minority interests		**83,993**	5,578
		586,232	155,622
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted (expressed in RMB per share)	36	**RMB0.758**	RMB0.226
Dividends	37	**86,185**	53,037

The notes on pages 60 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

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

The notes on pages 60 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to the equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance at 1 January 2008	662,964	847,295	146,746	1,201,632	2,858,637	37,771	2,896,408
Comprehensive income:							
Profit for the year	–	–	–	150,044	150,044	5,578	155,622
Other comprehensive income							
Transfer of reserves to income statement upon sale of revaluated properties	–	–	(15,095)	–	(15,095)	–	(15,095)
Total comprehensive income for the year	–	–	(15,095)	150,044	134,949	5,578	140,527
Transactions with owners:							
Transfer to statutory surplus reserve	–	–	1,195	(1,195)	–	–	–
Dividends	–	–	–	(46,407)	(46,407)	–	(46,407)
Total transaction with owners	–	–	1,195	(47,602)	(46,407)	–	(46,407)
Balance at 31 December 2008	662,964	847,295	132,846	1,304,074	2,947,179	43,349	2,990,528
Balance at 1 January 2009	**662,964**	**847,295**	**132,846**	**1,304,074**	**2,947,179**	**43,349**	**2,990,528**
Comprehensive income:							
Profit for the year	**–**	**–**	**–**	**502,239**	**502,239**	**83,993**	**586,232**
Other comprehensive income							
Transfer of reserves to income statement upon sale of revaluated properties	**–**	**–**	**(21,734)**	**–**	**(21,734)**	**–**	**(21,734)**
Total comprehensive income for the year	**–**	**–**	**(21,734)**	**502,239**	**480,505**	**83,993**	**564,498**
Transactions with owners:							
Transfer to statutory surplus reserve	**–**	**–**	**11,415**	**(11,415)**	**–**	**–**	**–**
Dividends	**–**	**–**	**–**	**(53,037)**	**(53,037)**	**(22,800)**	**(75,837)**
Total transaction with owners	**–**	**–**	**11,415**	**(64,452)**	**(53,037)**	**(22,800)**	**(75,837)**
Balance at 31 December 2009	**662,964**	**847,295**	**122,527**	**1,741,861**	**3,374,647**	**104,542**	**3,479,189**

The notes on pages 60 to 112 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	*38*	**1,430,152**	371,630
Interest paid		**(110,153)**	(119,082)
Income tax paid		**(162,796)**	(84,340)
Net cash generated from operating activities		**1,157,203**	168,208
Cash flows from investing activities			
Repayment of the loans by jointly controlled entity		**222,763**	–
Payments for investment in an associate		**(600)**	–
Purchase of available-for-sale financial assets		**–**	(5,340)
Purchase of property, plant and equipment		**(164,192)**	(209,969)
Proceeds from sale of property, plant and equipment	*38*	**31,892**	23,609
Purchase of land use rights		**(116,028)**	(10,330)
Proceeds from sale of land use rights	*38*	**23,939**	27,328
Proceeds from sale of investment properties		**60,890**	–
Interest received		**42,763**	45,343
Net cash generated from/(used in) investing activities		**101,427**	(129,359)
Cash flows from financing activities			
Proceeds from borrowings		**3,195,690**	1,753,621
Repayments of borrowings		**(4,072,201)**	(1,202,551)
Dividends paid to Company's shareholders		**(53,037)**	(46,407)
Dividends paid to minority shareholders		**(12,800)**	–
Net cash (used in)/generated from financing activities		**(942,348)**	504,663
Net increase in cash and cash equivalents		**316,282**	543,512
Cash and cash equivalents at beginning of the year		**1,361,170**	817,658
Cash and cash equivalents at end of the year		**1,677,452**	1,361,170

The notes on pages 60 to 112 are an integral part of these consolidated financial statements.

1. General information

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2010.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

(a) Changes in accounting policies for the year ended 31 December 2009

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

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) ***Changes in accounting policies for the year ended 31 December 2009*** (continued)

- Accounting policy for land use rights held for development and subsequent sales (continued)

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

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

  The effect on the consolidated financial statements is as follows:

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies for the year ended 31 December 2009 (continued)

- Accounting policy for land use rights held for development and subsequent sales (continued)

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

			As at
	As at 31 December		1 January
Company	**2009**	2008	2008
	RMB'000	*RMB'000*	*RMB'000*
Increase in properties under development – non-current	**–**	200,000	200,000
Decrease in land use rights – non-current	**–**	(200,000)	(200,000)

- Accounting policy for investment in jointly controlled entity

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

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Changes in accounting policies for the year ended 31 December 2009 (continued)

- Accounting policy for investment in jointly controlled entity (continued)

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

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

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

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New and revised standards adopted

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

- HKAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009)
  The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity.

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

- HKAS 23 (Revised), 'Borrowing Costs' (effective from 1 January 2009)
  The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The accounting policy of borrowing costs currently adopted by the Group complies with the requirement of HKAS 23 (Revised).

- HKFRS 7, 'Financial Instruments: Disclosures' (amendment) (effective from 1 January 2009)
  The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires the disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

- HKFRS 8, 'Operating Segment' (effective from 1 January 2009)
  HKFRS 8 replaces HKAS 14. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purpose. Since the business segments reported by the Group in accordance with requirement of IAS 14 (excluding the segment assets and liabilities) are the same as the operating segments provided to the chief operating decision-maker, there are no material changes to the operating segments and their results on the adoption of HKFRS 8. In addition, the Group also early adopted the amendment to HKFRS 8 in the annual improvement projects published in May 2009, which allows that the total segment assets is to be disclosed only when such information is regularly provided to the chief operation decision makers, like segment liabilities under current HKFRS 8. Since the segment assets and liabilities of the Group are not regularly provided to its chief operation decision makers, no such information has been disclosed in these consolidated financial statements.

- HK(IFRIC) 15, 'Agreements for Construction of Real Estates' (effective from 1 January 2009)
  HK(IFRIC) 15 clarifies whether HKAS 18, 'Revenue' or HKAS 11, 'Construction contracts' should be applied to particular transactions. The accounting policy currently adopted by the Group complies with the interpretation.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) *New standards which are not yet effective and have not been earlier adopted by the Group*

The following new standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not yet early adopted them.

- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective from 1 July 2009)
  The revised standard 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. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- HKFRS 3 (Revised), 'Business Combinations' (effective from 1 July 2009)
  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. 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 interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

2.2 Consolidation

(a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.6). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Transactions and minority interest

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates and jointly controlled entities

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates and jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

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

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.7). The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

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

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.5 Property, plant and equipment

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

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

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

Buildings	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Office equipment and others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

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

2. Summary of significant accounting policies (continued)

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities, and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2.7 Impairment of investments in subsidiaries, associates and jointly controlled entities and non-financial assets

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

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

2.8 Financial Assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

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

2. Summary of significant accounting policies (continued)

2.8 Financial Assets (continued)

(b) Recognition and measurement

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

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

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

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- being becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2. Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.10 Land use rights

The Group made upfront payments to obtain operating leases of land use rights. If the land use rights are held for development and subsequent sales, the upfront payments are recorded as part of the cost of properties under development (Note 2.11). If the land use rights are held by the Group for own use, the upfront payments are recorded as a separate asset and are amortised to the income statement on a straight-line basis over the lease periods.

2.11 Properties under development

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

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

2.12 Completed properties held for sale

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

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. Summary of significant accounting policies (continued)

2.14 Trade and other receivables

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

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

2.15 Construction contracts

Contract costs are recognised as cost in the period when they are incurred.

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

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

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

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

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

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

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

2.16 Cash and cash equivalents

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

2.17 Share capital

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

2. Summary of significant accounting policies (continued)

2.18 Trade payables

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

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

2.19 Borrowings and borrowing costs

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

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

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

2.20 Current and deferred income tax

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

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

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

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

2. Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

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

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

2.21 Pension obligations

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

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

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

2.22 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Provision of construction services

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

(b) Sales of building materials

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

(c) Sales of properties

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

2. Summary of significant accounting policies (continued)

2.22 Revenue recognition (continued)

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.23 Government grants

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

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

2.24 Leases

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

(i) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the period of the lease.

(ii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets.

Lease income is recognised over the term of the lease on a straight-line basis.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

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

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

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. RMB is not freely convertible into other foreign currencies. The conversion of RMB denominated balances into foreign currencies is subject to the rates and regulations of foreign exchange control promulgated by the PRC government.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(i) Foreign exchange risk (continued)

In addition, the Group provides construction services in Africa. As a result, the Group holds some monetary assets denominated in the local currencies of certain countries in Africa. This exposes the Group to foreign exchange risk. The conversion and remittance of these currencies are subject to regulations in these countries.

There is no written policy to manage this foreign exchange risk. Management monitors the Group's currency exposure on an ongoing basis and will enter into hedges when need arises.

During the year, the Group did not purchase forward contracts to hedge the foreign exchange risk.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at 31 December 2009 and 2008 are as follows:

	Group As at 31 December		Company As at 31 December	
	2009 ***RMB'000***	2008 *RMB'000*	**2009** ***RMB'000***	2008 *RMB'000*
Assets				
Hong Kong dollar ("HKD")	**741**	1,900	**741**	1,900
U.S dollar ("USD")	**22,794**	19,627	**–**	52
Djibouti Franc ("DJF")	**29,178**	19,253	**–**	–
Botswana pula ("BWP")	**8,869**	8,642	**–**	–
Seychellesx Rupee ("SCR")	**4,683**	3,697	**–**	–
Other foreign currencies	**264**	227	**–**	36
Liabilities				
DJF	**(38,056)**	(22,761)	**–**	–
BWP	**(10,960)**	(6,617)	**–**	–
SCR	**(6,323)**	(6,562)	**–**	–

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. If there is a 5% increase in RMB against the relevant currencies, the effect in the profit for the year is as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Decrease/(increase) in profit for the year				
– HKD	**(37)**	(95)	**(37)**	(95)
– USD	**(1,140)**	(981)	**–**	(3)
– DJF	**444**	175	**–**	–
– BWP	**105**	(101)	**–**	–
– SCR	**82**	143	**–**	–
– Other foreign currencies	**(13)**	(11)	**–**	(2)

(ii) Price risk

The Group is exposed to equity securities price risk because the Group has an available-for-sale financial asset. The available-for-sale financial asset is held for long-term strategic rather than trading purposes. The Group does not actively trade this investment.

As at 31 December 2009, management considered that the price risk of the equity securities is not material to the Group as the available-for-sale financial asset is not significant.

(iii) Interest rate risk

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

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

As at 31 December 2009, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, net profit for the current year would have been RMB5,287,000 (2008: RMB9,722,000) lower/higher respectively, mainly as a result of higher/lower interest expense on borrowings.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(iii) Interest rate risk (continued)

In addition, the Company also has interest bearing assets (short-term bank deposits and cash at bank) and borrowings at variable rates. The loans to the jointly controlled equity are at fixed rate by reference to prevailing rates at the loan market.

(iv) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, due from customers on construction contracts, loans to jointly controlled entity, cash deposits with banks and granting of guarantees in respect of mortgage facility to properties' purchasers, which represent the Group's maximum exposure to credit risk.

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

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

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

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

(v) Liquidity risk

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(v) ***Liquidity risk*** (continued)

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

	Group					Company
	Less than 1 years *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*	Less than 1 years *RMB'000*
At 31 December 2009						
Borrowings	**1,335,710**	**310,000**	**–**	**–**	**1,645,710**	**–**
Interest of borrowings	**16,942**	**18,596**	**–**	**–**	**35,538**	**–**
Trade payables	**964,012**	**–**	**–**	**–**	**964,012**	**–**
Other payables (excluding other tax payables)	**780,984**	**–**	**–**	**–**	**780,984**	**6,683**
Total	**3,097,648**	**328,596**	**–**	**–**	**3,426,244**	**6,683**
At 31 December 2008						
Borrowings	2,335,221	120,000	67,000	–	2,522,221	527,000
Interest of borrowings	72,469	6,578	232	–	79,279	14,909
Trade payables	738,371	–	–	–	738,371	–
Other payables (excluding other tax payables)	626,870	–	–	–	626,870	10,350
Total	3,772,931	126,578	67,232	–	3,966,741	552,259

The Group has adequate financial resources to repay these debts when full due.

3.2 Capital risk management

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

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

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

As at 31 December 2009, the Group has surplus cash and cash equivalents over borrowings.

3. Financial risk management (continued)

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

For the available-for-sale financial assets (equity securities) held by the Group as at 31 December 2009, as one or more of the significant inputs is not based on observable market data, this instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

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

4. Critical accounting estimates and judgements

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

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

(a) Construction contract revenue recognition

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

In applying the percentage of completion method, the Group needs to estimate the gross profit margin of each construction contract, which was determined based on the estimated total construction contract costs and total construction contract sum. If the actual gross profit margin of any construction contract differs from the management’s estimates, the construction contract revenue will need to be adjusted accordingly. If the overall estimated gross profit margin of construction contracts changes by 10%, the revenue will be reduced by RMB36,480,000 or increased by RMB36,804,000.

4. Critical accounting estimates and judgements (continued)

(b) Income taxes and deferred taxation

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

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

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

5. 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

- Building materials – manufacture and sale of building materials

- Property development – development and sale of properties

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

The executive directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes financial costs and share of results of associates and jointly controlled entity from the operating segments. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the financial statements.

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

5. Segment information (continued)

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

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

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

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

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

5. Segment information (continued)

The Company is domiciled in the PRC. The Group's business activities were mainly carried out in the PRC where the vast majority of the Group's assets are located. The Group had also undertaken construction business in three African countries, namely The Republic of Djibouti ("Djibouti"), The Republic of Botswana ("Botswana") and The Republic of Seychelles ("Seychelles"), and had procured certain operating assets for use in these countries. The revenue from external customers in the PRC is RMB10,826,202,000 (2008: RMB9,348,327,000), and the total of revenue from external customers from other countries is RMB147,373,000 (2008: RMB103,171,000).

The total of non-current assets other than financial instruments and deferred tax assets located in the PRC is RMB1,503,145,000 (2008: RMB1,789,613,000), and the total of these non-current assets located in other countries is RMB15,496,000 (2008: RMB6,357,000).

All the revenue derived from a single external customer was less than 10% of the Group's total revenue for the year ended 31 December 2009.

Breakdown of the revenue from all services is as follows:

Analysis of revenue by category	**2009** ***RMB'000***	2008 *RMB'000*
Revenue from construction contracts	**8,302,405**	7,654,214
Revenue from sales of buildings materials	**1,152,323**	1,225,207
Revenue from sales of properties	**1,439,847**	491,092
Revenue from other services	**79,000**	80,985
	10,973,575	9,451,498

6. Land use rights

The Group's interests in land use rights for its own use represent the prepaid operating lease payments. The net book value of the land use rights are analysed as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening net book amount	**446,220**	465,996	**10,338**	10,660
Additions	**116,028**	10,330	**–**	–
Disposal	**(21,350)**	(18,550)	**–**	–
Amortisation	**(11,634)**	(11,556)	**(322)**	(322)
End of the year	**529,264**	446,220	**10,016**	10,338

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Outside Hong Kong, held on:				
Leases of over 50 years	**159,415**	154,183	**–**	–
Leases of between 10 to 50 years	**369,849**	292,037	**10,016**	10,338
	529,264	446,220	**10,016**	10,338

Included in the Group's interests in land use rights as at 31 December 2009 are certain land use rights amounting to RMB4,379,700 (2008: RMB10,330,000), for which the Group was in the process of applying for the relevant formal land use rights certificates.

As at 31 December 2009, total net book values of land use rights pledged as security for the Group's bank borrowings amounted to RMB47,340,000 (2008: RMB52,209,000) (Note 28(a)).

7. Property, plant and equipment

Group

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2008						
Cost	488,708	361,995	105,789	34,802	139,296	1,130,590
Accumulated depreciation	(151,619)	(144,561)	(54,931)	(18,886)	–	(369,997)
Net book amount	337,089	217,434	50,858	15,916	139,296	760,593
Year ended 31 December 2008						
Opening net book amount	337,089	217,434	50,858	15,916	139,296	760,593
Additions	28,992	26,814	10,052	14,571	131,906	212,335
Transfer	184,864	1,296	–	–	(186,160)	–
Disposals	(9,781)	(4,622)	(8,417)	(99)	–	(22,919)
Depreciation charge	(30,749)	(34,409)	(11,815)	(16,793)	–	(93,766)
Closing net book amount	510,415	206,513	40,678	13,595	85,042	856,243
At 31 December 2008						
Cost	698,480	289,301	100,332	117,981	85,042	1,291,136
Accumulated depreciation	(188,065)	(82,788)	(59,654)	(104,386)	–	(434,893)
Net book amount	510,415	206,513	40,678	13,595	85,042	856,243
Year ended 31 December 2009						
Opening net book amount	**510,415**	**206,513**	**40,678**	**13,595**	**85,042**	**856,243**
Additions	**39,838**	**22,989**	**2,842**	**5,272**	**96,032**	**166,973**
Transfer	**58,776**	**2,893**	**–**	**–**	**(61,669)**	**–**
Disposals	**(23,946)**	**(1,181)**	**(231)**	**(262)**	**–**	**(25,620)**
Depreciation charge	**(46,087)**	**(30,431)**	**(10,474)**	**(7,908)**	**–**	**(94,900)**
Closing net book amount	**538,996**	**200,783**	**32,815**	**10,697**	**119,405**	**902,696**
At 31 December 2009						
Cost	**764,690**	**309,116**	**101,039**	**121,929**	**119,405**	**1,416,179**
Accumulated depreciation	**(225,694)**	**(108,333)**	**(68,224)**	**(111,232)**	**–**	**(513,483)**
Net book amount	**538,996**	**200,783**	**32,815**	**10,697**	**119,405**	**902,696**

Depreciation expenses of RMB41,279,000 (2008: RMB43,333,000) has been expensed in cost of sales and RMB53,621,000 (2008: RMB50,433,000) in administrative expenses.

As at 31 December 2009, total net book values of property, plant and equipment pledged as security for the Group's bank borrowings amounted to RMB6,088,000 (2008:RMB6,361,000) (Note 28(a)).

7. Property, plant and equipment (continued)

Company

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2008					
Cost	34,583	5,964	978	–	41,525
Accumulated depreciation	(2,151)	(4,523)	(484)	–	(7,158)
Net book amount	32,432	1,441	494	–	34,367
Year ended 31 December 2008					
Opening net book amount	32,432	1,441	494	–	34,367
Additions	616	–	685	1,645	2,946
Transfer	1,645	–	–	(1,645)	–
Depreciation charge	(1,958)	(596)	(303)	–	(2,857)
Closing net book amount	32,735	845	876	–	34,456
At 31 December 2008					
Cost	36,844	5,964	1,663	–	44,471
Accumulated depreciation	(4,109)	(5,119)	(787)	–	(10,015)
Net book amount	32,735	845	876	–	34,456
Year ended 31 December 2009					
Opening net book amount	**32,735**	**845**	**876**	**–**	**34,456**
Additions	**3,442**	**–**	**33**	**–**	**3,475**
Depreciation charge	**(2,057)**	**(231)**	**(186)**	**–**	**(2,474)**
Closing net book amount	**34,120**	**614**	**723**	**–**	**35,457**
At 31 December 2009					
Cost	**40,286**	**5,964**	**1,696**	**–**	**47,946**
Accumulated depreciation	**(6,166)**	**(5,350)**	**(973)**	**–**	**(12,489)**
Net book amount	**34,120**	**614**	**723**	**–**	**35,457**

8. Investment properties – Group

	2009 **RMB'000**	2008 *RMB'000*
Opening net book amount, at fair value	**45,235**	43,533
Fair value gains (included in other gains – net) *(Note 31)*	**–**	1,702
Sales of investment properties	**(45,235)**	–
End of the year	**–**	45,235

The following amounts have been recognised in the consolidated income statement:

	2009 **RMB'000**	2008 *RMB'000*
Rental income	**–**	320
Direct operating expenses arising from investment properties that generate rental income	**–**	(133)
Gains on disposals of investment properties *(Note 31)*	**15,655**	–

9. Goodwill – Group

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

The goodwill is stated at cost and mainly arose from the acquisition of the equity interest in Hefei Baoye Real Estate Co., Ltd. ("Hefei Baoye Real Estate") in 2005. Hefei Baoye Real Estate was treated as a CGU as it has its own real estate projects. The recoverable amount of goodwill related to Hefei Baoye Real Estate is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management and estimates made by management. The discount rate used is a pre-tax rate and reflects specific risks relating to the real estate projects developed by Hefei Baoye Real Estate. Based on the impairment test on the goodwill associated with Hefei Baoye Real Estate performed on 31 December 2009, no impairment provision is required.

10. Properties under development

	Group			Company		
	2009	2008	2007	**2009**	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*
Land use rights	**1,672,555**	941,960	233,095	**–**	200,000	200,000
Development costs	**763,222**	769,690	1,681,314	**–**	32,717	43,489
Finance costs capitalised	**116,570**	88,041	80,294	**–**	20,821	27,725
	2,552,347	1,799,691	1,994,703	**–**	253,538	271,214

The carrying value of the properties under development is analysed as follows:

	Group			Company		
	2009	2008	2007	**2009**	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*
Non-current	**–**	356,508	1,141,184	**–**	253,538	271,214
Current	**2,552,347**	1,443,183	853,519	**–**	–	–
	2,552,347	1,799,691	1,994,703	**–**	253,538	271,214

As at 31 December 2009, total carrying value of properties under development pledged as security for the Group's bank borrowings amounted to RMB963,431,000 (2008: RMB369,459,000) (Note 28(a)).

In addition, as at 31 December 2009, included in properties under development, land use rights of RMB122,602,000 (2008: RMB200,000,000) held by the Group were in the process of applying for the relevant formal land use rights certificates.

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

	Group			Company		
	2009	2008	2007	**2009**	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*
Outside Hong Kong, held on:						
Leases of over 50 years	**1,556,074**	843,208	205,969	**–**	200,000	200,000
Leases of between 10 to 50 years	**116,481**	98,752	27,126	**–**	–	–
	1,672,555	941,960	233,095	**–**	200,000	200,000

11. Investment in and balances with subsidiaries

	Company 2009 RMB'000	Company 2008 RMB'000
(a) Investments at cost, unlisted	**849,411**	714,711
(b) Amounts due from subsidiaries	**28,304**	249,194

The amounts due from subsidiaries are unsecured, interest free and are repayable on demand. As at 31 December 2009, the amounts due from subsidiaries are neither past due nor impaired.

The following is a list of the principal subsidiaries as at 31 December 2009, all of which are limited liability companies incorporated and operating in the PRC, except for Baoye Hubei Construction Engineering Group Co., Ltd., which also operates in African countries:

Name	Attributable equity interest held Directly	Attributable equity interest held Indirectly	Registered capital	Principal activities
浙江寶業建設集團有限公司 Zhejiang Baoye Construction Group Co., Ltd.	99%	–	RMB300,000,000	Construction and construction related business
浙江寶業幕牆裝飾有限公司 Zhejiang Baoye Curtain Wall Decoration Co., Ltd.	83.1%	–	RMB50,800,000	Manufacture and installation of curtain wall and steel framework
浙江寶業交通建設工程有限公司 Zhejiang Baoye Infrastructure Construction Co., Ltd.	87.5%	12.4%	RMB30,000,000	Construction of highway, bridge and other municipal infrastructure
浙江廣藝建築裝飾工程有限公司 Zhejiang Guangyi Construction and Decoration Co., Ltd.	93.3%	6.6%	RMB30,000,000	Decoration and replenishment
浙江寶業房地產集團有限公司 Zhejiang Baoye Real Estate Group Co., Ltd.	90%	9.9%	RMB50,000,000	Development and sales of properties
紹興寶業四季園房地產有限公司 Shaoxing Baoye Four Seasons Garden Real Estate Co., Ltd.	100%	–	RMB100,000,000	Development and sales of properties
浙江寶業住宅產業化有限公司 Zhejiang Baoye Building Materials Industrialisation Co., Ltd.	40%	59.4%	RMB53,600,000	Production and sales of concrete and construction materials

11. Investment in and balances with subsidiaries (continued)

Name	Attributable equity interest held Directly	Indirectly	Registered capital	Principal activities
紹興寶業建築防火材料有限公司 Shaoxing Baoye Fireproof Materials Co., Ltd.	40%	59.4%	RMB9,000,000	Production and sales of steel, wood fireproof doors
紹興寶業新型建材有限公司 Shaoxing Baoye New Building Materials Co., Ltd.	–	99.4%	RMB5,000,000	Production and sales of construction materials
上海紫寶房地產開發有限公司 Shanghai Zibao Real Estate Development Co., Ltd.	–	69.93%	RMB18,000,000	Development and sales of properties
紹興寶港木製品有限公司 Shaoxing Baogang Woodwork Co., Ltd.	70%	–	USD2,720,000	Production and sales of wooden door and other wooden products
紹興市華欣預拌混凝土有限公司 Shaoxing Huaxin Pre-mix Commodity Concrete Co., Ltd.	100%	–	RMB20,000,000	Production and sales of concrete and construction materials
浙江寶業鋼結構有限公司 Zhejiang Baoye Steel Structure Co., Ltd.	95%	4.95%	RMB20,000,000	Production, design and sales of steel structure products
安徽寶業住宅產業化公司 Anhui Baoye Building Materials Industrialisation Co., Ltd.	–	100%	RMB60,000,000	Production and sales of concrete and construction materials
合肥寶業混凝土有限公司 Hefei Baoye Concrete Co., Ltd.	–	100%	RMB12,500,000	Production and sales of concrete and construction materials
合肥寶業房地產有限公司 Hefei Baoye Real Estate Co., Ltd.	–	100%	RMB30,000,000	Development and sales of properties
安徽華騰投資有限公司 Anhui Huateng Investment Co., Ltd.	–	75%	RMB20,000,000	Development and sales of properties
寶業湖北建工集團有限公司 Baoye Hubei Construction Engineering Group Co., Ltd.	92.87%	7.12%	RMB86,980,000	Construction and construction related business
湖北省建工第三建設有限公司 Hubei Construction Engineering No.3 Co., Ltd.	–	100%	RMB50,800,000	Construction and construction related business

11. Investment in and balances with subsidiaries (continued)

Name	Attributable equity interest held Directly	Indirectly	Registered capital	Principal activities
湖北省建工第五建設有限公司 Hubei Construction Engineering No.5 Co., Ltd.	–	100%	RMB80,000,000	Construction and construction related business
湖北省建工工業設備安裝有限公司 Hubei Industrial Equipment Installation Co., Ltd.	–	100%	RMB50,190,000	Installation of industrial equipment
湖北省建工機械施工有限公司 Hubei Engineering Machinery Construction Co., Ltd.	–	100%	RMB20,000,000	Provision of construction services
湖北省建工混凝土製品有限公司 Hubei Construction Engineering Concrete Products Co., Ltd.	–	100%	RMB20,080,000	Production and sales of concrete and construction materials
湖北省建工房地產開發有限公司 Hubei Construction Engineering Real Estate Development Co., Ltd.	–	100%	RMB20,000,000	Development and sales of properties
湖北省建工物資貿易有限公司 Hubei Construction Engineering Material Trading Co., Ltd.	–	100%	RMB18,300,000	Provision of leasing services
安徽金糧置業有限公司 Anhui Jinliang Real Estate Company Limited	–	100%	RMB172,000,000	Development and sales of properties
紹興寶業會稽山國際度假村有限公司 Shaoxing Baoye Kuaiji Mountain International Vocation Village Co., Ltd.	100%	–	RMB80,000,000	Development and management of vacation village
合肥中寶機械製造有限公司 Hefei Zhongbao Machinery Manufacture Co., Ltd.	–	100%	RMB20,000,000	Production and sales of machinery and fittings
浙江寶業建築設計研究院有限公司 Zhejiang Baoye Construction Design Research Institute Co., Ltd.	90%	–	RMB6,000,000	Provision of architectural and interior design service
寶業集團浙江建設產業研究院有限公司 Baoye Group Zhejiang Construction Industry Research Institute Co., Ltd.	20%	79.2%	RMB10,000,000	Construction technology research and development

The names of the companies referred to above in this note represent management's translation of the Chinese names of these companies as no English names have been registered or available for these companies.

12. Interest in jointly controlled entity

Group

The Group has a 49% equity interest in jointly controlled entity, Shaoxing Greentown and Baoye Real Estate Company Limited ("SGB"), which is a limited liability company engaged in real estate development business in the PRC. Movement of the interest is as follows:

	Investment cost *RMB'000*	Loans to jointly controlled entity *RMB'000* *Note*	Share of losses *RMB'000*	Total *RMB'000*
As at 1 January 2008	49,000	487,550	–	536,550
Addition	–	–	(2,592)	(2,592)
As at 31 December 2008	49,000	487,550	(2,592)	533,958
Addition	**–**	**–**	**(5,639)**	**(5,639)**
Repayment of loans	**–**	**(222,763)**	**–**	**(222,763)**
As at 31 December 2009	**49,000**	**264,787**	**(8,231)**	**305,556**

Note:

The Group and other joint venturer made loans to SGB in proportion to their respective equity interests held. These loans are unsecured, have no repayable term and are bearing interest at 10.98% per annum. The loans were made by the Group as part of the capital contribution.

During the year, interest on the loans amounted to RMB44,698,000 (2008: RMB77,047,000) was fully capitalised in properties under development by SGB in its separate financial statements. Such interest income have been eliminated in the Group's consolidate financial statements.

12. Interest in jointly controlled entity (continued)

Group (continued)

The following amounts represent the Group's 49% share of the assets and liabilities, and revenue and results of SGB.

	2009 RMB'000	2008 RMB'000
Assets		
Non-current assets	**6,520**	3,969
Current assets	**769,535**	601,684
	776,055	605,653
Liabilities		
Non-current liabilities	**122,990**	–
Current liabilities	**347,509**	71,695
	470,499	71,695
Net assets	**305,556**	533,958
Revenue	**–**	–
Expense	**(7,518)**	(3,456)
Income tax credit	**1,879**	864
Loss after income tax	**(5,639)**	(2,592)

Assets mainly represented 49% share of properties under development, including a land use right for development owned by SGB.

Liabilities excluded the loans made by the Group to SGB.

Company

	2009 RMB'000	2008 RMB'000
Investments at cost, unlisted	**49,000**	49,000
Loans to jointly controlled entity *(Note)*	**386,532**	564,597
	435,532	613,597

Note:

The amounts mainly represented the shareholder's loan, together with the relevant interest accrued, made by the Company to SGB.

13. Investment in associates – Group

	2009 *RMB'000*	2008 *RMB'000*
Beginning of the year	**28,828**	31,175
Additions	**600**	–
Share of losses	**(50)**	(2,347)
End of the year	**29,378**	28,828

No goodwill is included in investment in associates.

The Group's interests in its principal associates, all of which are unlisted limited liability companies incorporated in the PRC, and its share of the net assets and results are as follows:

Name	**Assets** *RMB'000*	**Liabilities** *RMB'000*	**Revenues** *RMB'000*	**Profit/ (loss)** *RMB'000*	**% interest Held**
2009					
Hubei Construction Engineering Land Co., Ltd.	**173,690**	**(147,387)**	**3,291**	**132**	**34%**
Wuhan Modern Real Estate Development Co., Ltd.	**11,623**	**(9,134)**	**–**	**(168)**	**30%**
Hubei Baoye Curtain Wall Engineering Co., Ltd.	**1,127**	**(541)**	**263**	**(14)**	**20%**
	186,440	**(157,062)**	**3,554**	**(50)**	
2008					
Hubei Construction Engineering Land Co., Ltd.	97,519	(71,348)	–	(1,951)	34%
Wuhan Modern Real Estate Development Co., Ltd.	86,540	(83,883)	–	(396)	30%
	184,059	(155,231)	–	(2,347)	

14. Financial instruments by category

		Group		Company
			Available-for-	
		Loans and	sale financial	Loans and
		receivables	assets	receivables
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
At 31 December 2009				
Available-for-sale financial assets	*15*	**–**	**5,340**	**–**
Trade receivables	*18*	**617,593**	**–**	**–**
Other receivables (excluding prepayments)	*19*	**978,321**	**–**	**250**
Amounts due from subsidiaries	*11*	**–**	**–**	**28,304**
Due from customers on construction contracts	*17*	**1,581,402**	**–**	**–**
Loans to jointly controlled entity	*12*	**264,787**	**–**	**386,532**
Restricted bank deposits	*20*	**239,756**	**–**	**–**
Cash and cash equivalents	*21*	**1,677,452**	**–**	**492,488**
Total		**5,359,311**	**5,340**	**907,574**
At 31 December 2008				
Available-for-sale financial assets	*15*	–	5,340	–
Trade receivables	*18*	646,345	–	–
Other receivables (excluding prepayments)	*19*	885,890	–	50,112
Amounts due from subsidiaries	*11*	–	–	249,194
Due from customers on construction contracts	*17*	1,317,626	–	–
Loans to jointly controlled entity	*12*	487,550	–	564,597
Restricted bank deposits	*20*	462,631	–	–
Cash and cash equivalents	*21*	1,361,170	–	399,489
Total		5,161,212	5,340	1,263,392

14. Financial instruments by category (continued)

	Notes	Group Financial liabilities stated at amortised cost RMB'000	Company Financial liabilities stated at amortised cost RMB'000
Liabilities			
At 31 December 2009			
Trade payables	25	**964,012**	**–**
Other payables (excluding other tax payables)	26	**780,984**	**6,683**
Due to customers on construction contracts	17	**1,209,734**	**–**
Borrowings	28	**1,645,710**	**–**
Total		**4,600,440**	**6,683**
At 31 December 2008			
Trade payables	25	738,371	–
Other payables (excluding other tax payables)	26	626,870	10,350
Due to customers on construction contracts	17	850,011	–
Borrowings	28	2,522,221	527,000
Total		4,737,473	537,350

15. Available-for-sale financial assets – Group

The available-for-sale financial assets represented 11% equity interest in Zhejiang Yuezhou Guarantee Co., Ltd ("Zhejiang Yuezhou"), which is an unlisted company.

Zhejiang Yuezhou mainly provides guarantee services to construction companies (mainly the founders including the Group) in bidding process. Management considered that such investment had the similar function of a bidding deposit and its fair value has no material changes since the investment was made by the Group.

16. Inventories – Group

	2009 RMB'000	2008 RMB'000
At cost:		
Raw materials	**63,636**	68,517
Work in progress	**26,522**	32,235
Finished goods	**18,532**	16,806
	108,690	117,558

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

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

	2009 RMB'000	2008 RMB'000
Contract costs incurred plus recognised profits (less recognised losses) to date	**29,452,114**	25,882,037
Less: progress billings to date	**(29,080,446)**	(25,414,422)
	371,668	467,615
Represented by:		
Due from customers on construction contracts	**1,581,402**	1,317,626
Due to customers on construction contracts	**(1,209,734)**	(850,011)
	371,668	467,615

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

As at 31 December 2009, retentions and project deposits held by customers for contract work included in other receivables of the Group amounted to RMB793,414,000 (2008: RMB683,465,000) (Note 19).

18. Trade receivables – Group

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

Customers are generally granted credit terms of 1 to 3 months for construction business, 1 to 12 months for building materials business and no credit terms for property development business. The net book value of trade receivables approximates their fair value. As at 31 December 2009, the ageing analysis of the trade receivables is as follows:

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

18. Trade receivables – Group (continued)

Trade receivables that are less than 12 months past due are not considered impaired. As of 31 December 2009, trade receivables of RMB175,573,000 (2008: RMB124,364,000) were past due but not impaired. These related to a number of independent customers who had no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009 RMB'000	2008 RMB'000
1 to 2 years	**118,507**	72,327
2 to 3 years	**33,772**	20,673
Over 3 years	**23,294**	31,364
	175,573	124,364

As of 31 December 2009, trade receivables of RMB35,167,000 (2008: RMB36,572,000)) were impaired. The amount of the provision was RMB23,530,000 as of 31 December 2009 (2008: RMB25,966,000). The individually impaired receivables mainly relate to customers which are in unexpected difficult financial situations. It was assessed that a portion of these receivables is expected to be recovered. The ageing of these receivables is as follows:

	2009 RMB'000	2008 RMB'000
1 to 2 years	**8,476**	12,462
2 to 3 years	**9,671**	5,009
Over 3 years	**17,018**	19,101
	35,165	36,572

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

	2009 RMB'000	2008 RMB'000
At 1 January	**25,966**	23,550
(Reversal)/creation of provision	**(2,436)**	2,416
At 31 December	**23,530**	25,966

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.

All trade receivables are denominated in RMB, except for certain trade receivables which are denominated in DJF in equivalent of RMB11,232,000 (2008: RMB2,353,000), in BWP in equivalent of RMB1,140,000 (2008: RMB2,167,000) and in SCR in equivalent of RMB Nil (2008: RMB827,000) as at 31 December 2009.

19. Other receivables

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Retention money and project deposits *(Note 17)*	**793,414**	683,465	**–**	–
Prepayments	**32,733**	88,932	**–**	373
Others	**184,907**	202,425	**250**	50,112
	1,011,054	974,822	**250**	50,485

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

All other receivables are denominated in RMB, except for certain other receivables which are denominated in DJF in equivalent of RMB1,977,000 (2008: RMB329,000), in BWP in equivalent of RMB487,000 (2008: RMB554,000) and in SCR in equivalent of RMB138,000 (2008: RMB182,000) as at 31 December 2009.

20. Restricted bank deposits – Group

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

21. Cash and cash equivalents

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**1,682,387**	1,688,995	**474,488**	368,166
Short-term bank deposits	**234,821**	134,806	**18,000**	31,323
	1,917,208	1,823,801	**492,488**	399,489
Denominated in:				
– RMB	**1,865,653**	1,776,867	**491,747**	397,501
– HKD	**741**	1,900	**741**	1,900
– USD	**22,794**	19,627	**–**	52
– DJF	**15,969**	16,571	**–**	–
– BWP	**7,242**	5,921	**–**	–
– SCR	**4,545**	2,688	**–**	–
– other currencies	**264**	227	**–**	36
	1,917,208	1,823,801	**492,488**	399,489
Less: Restricted bank deposit *(Note 20)*	**(239,756)**	(462,631)	**–**	–
	1,677,452	1,361,170	**492,488**	399,489

The effective interest rates as at 31 December 2009 of the short-term bank deposits of the Group and the Company are 1.93% (2008: 1.55%) and 1.35% (2008: 1.06%) respectively, and these deposits have original maturities of three months or less.

As at 31 December 2009 and 2008, 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.

22. Share capital and premium

	Ordinary shares	Share premium	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2008, 31 December 2008 and 2009	**662,964**	**847,295**	**1,510,259**

As at 31 December 2009, the total authorised number of ordinary shares is 662,964,005 shares (2008: 662,964,005 shares) with a par value of RMB1.00 per share (2008: RMB1.00 per share). All issued shares are fully paid.

23. Reserves

Group

	Assets revaluation reserve RMB'000 (Note (a))	Statutory surplus reserve RMB'000 (Note (b))	Total RMB'000
Balance at 1 January 2008	79,766	66,980	146,746
Appropriation from retained earnings	–	1,195	1,195
Transfer of reserves to income statement upon sale of revaluated properties	(15,095)	–	(15,095)
Balance at 31 December 2008	64,671	68,175	132,846
Balance at 1 January 2009	**64,671**	**68,175**	**132,846**
Appropriation from retained earnings	**–**	**11,415**	**11,415**
Transfer of reserves to income statement upon sale of revaluated properties	**(21,734)**	**–**	**(21,734)**
Balance at 31 December 2009	**42,937**	**79,590**	**122,527**

Company

	Statutory surplus reserve (Note (b)) 2009 RMB'000	2008 RMB'000
Balance at 1 January	**68,175**	66,980
Appropriation from retained earnings	**11,415**	1,195
Balance at 31 December	**79,590**	68,175

Notes:

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

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

24. Retained earnings

	Group RMB'000	Company RMB'000
At 1 January 2008	1,201,632	219,845
Profit for the year	150,044	28,775
Dividends paid	(46,407)	(46,407)
Transfer to statutory surplus reserve	(1,195)	(1,195)
At 31 December 2008	1,304,074	201,018
At 1 January 2009	**1,304,074**	**201,018**
Profit for the year	**502,239**	**107,142**
Dividends paid	**(53,037)**	**(53,037)**
Transfer to statutory surplus reserve	**(11,415)**	**(11,415)**
At 31 December 2009	**1,741,861**	**243,708**

25. Trade payables – Group

As at 31 December 2009, the ageing analysis of the trade payables is as follows:

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

26. Other payables

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Deposits from project managers	**335,944**	319,731	**–**	–
Other taxes payables	**78,280**	139,306	**4,807**	2,595
Accruals	**22,898**	24,702	**3,300**	5,950
Others	**422,142**	282,437	**3,383**	4,400
	859,264	766,176	**11,490**	12,945

27. Receipts in advance

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

28. Borrowings

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current liabilities				
Long-term bank borrowings				
– Secured *(Note (a))*	**310,000**	117,000	**–**	–
– Unsecured	**–**	70,000	**–**	–
	310,000	187,000	**–**	–
Current liabilities				
Short-term bank borrowings				
– Secured *(Note (a))*	**110,000**	116,000	**–**	46,000
– Unsecured with guarantee *(Note (b))*	**315,420**	873,000	**–**	433,000
– Other unsecured	**910,290**	1,146,600	**–**	48,000
	1,335,710	2,135,600	**–**	527,000
Short-term other loans				
– Unsecured with guarantee *(Note (c))*	**–**	199,621	**–**	–
	1,335,710	2,335,221	**–**	527,000
	1,645,710	2,522,221	**–**	527,000

Notes:

(a) As at 31 December 2009, the secured bank borrowings of the Group were secured by the land use rights, property, plant and equipment and properties under development of the Group with net book value amounting to RMB47,340,000 (2008: RMB52,209,000), RMB6,088,000 (2008: RMB6,361,000) and RMB963,431,000 (2008: RMB369,459,000) respectively.

(b) These loans are guaranteed by:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mr. Pang Baogen	**–**	200,000	**–**	150,000
Mr. Pang Baogen and the Company (jointly)	**10,000**	390,000	**–**	–
Mr. Pang Baogen and Zhejiang Baoye Construction Group Co., Ltd. (jointly)	**305,420**	283,000	**–**	283,000
	315,420	873,000	**–**	433,000

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

(c) As at 31 December 2008, the short-term other loan was provided by China Foreign Economy and Trade Trust Co., Ltd and guaranteed by China Construction Bank Shaoxing Branch.

28. Borrowings (continued)

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

The borrowings are repayable as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**1,335,710**	2,335,221	**–**	527,000
Between 1 and 2 years	**310,000**	120,000	**–**	–
Between 2 and 5 years	**–**	67,000	**–**	–
	1,645,710	2,522,221	**–**	527,000

The weighted average effective interest rates as at 31 December 2009 and 2008 were as follows:

	Group		Company	
	2009	2008	**2009**	2008
Bank borrowings	**5.58%**	5.82%	**–**	6.56%
Other loans	**–**	7.04%	**–**	–

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

29. Deferred income tax

The amounts shown in the balance sheet include the following:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**18,158**	13,887	**–**	–
– Deferred tax assets to be recovered within 12 months	**13,287**	13,547	**–**	–
	31,445	27,434	**–**	–
Deferred tax liabilities:				
– Deferred tax liabilities to be settled after more than 12 months	**(33,460)**	(46,498)	**(515)**	(515)
– Deferred tax liabilities to be settled within 12 months	**(30,612)**	(31,406)	**–**	–
	(64,072)	(77,904)	**(515)**	(515)
Deferred tax liabilities (net)	**(32,627)**	(50,470)	**(515)**	(515)

29. Deferred income tax (continued)

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

Deferred tax assets

	Group		
	Provision for receivables impairment RMB'000	Unrealised profit resulting from intragroup transactions RMB'000	Total RMB'000
At 1 January 2008	10,263	6,051	16,314
Recognised in the income statement	456	10,664	11,120
At 31 December 2008	**10,719**	**16,715**	**27,434**
Recognised in the income statement	**(647)**	**4,658**	**4,011**
At 31 December 2009	**10,072**	**21,373**	**31,445**

Deferred tax liabilities

	Group				Company
	Accelerated tax depreciation RMB'000	Fair value adjustment on assets upon acquisition RMB'000	Interest capitalised RMB'000	Total RMB'000	Interest capitalised RMB'000
At 1 January 2008	(140)	(85,561)	(3,074)	(88,775)	(515)
Recognised in the income statement	140	10,907	(176)	10,871	–
At 31 December 2008	**–**	**(74,654)**	**(3,250)**	**(77,904)**	**(515)**
Recognised in the income statement	**–**	**25,259**	**(11,427)**	**13,832**	**–**
At 31 December 2009	**–**	**(49,395)**	**(14,677)**	**(64,072)**	**(515)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of losses amounting to RMB87,465,000 (2008: RMB157,069,000) that can be carried forward against future taxable income. These tax losses will expire at various dates up to and including 2013 (2008: 2012).

30. Other income

Other income represents interest income derived from bank deposits.

31. Other gains – net

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

32. Expenses by nature

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

	2009 **RMB'000**	2008 RMB'000
Depreciation of property, plant and equipment *(Note 7)*	**94,900**	93,766
Amortisation of land use rights *(Note 6)*	**11,634**	11,556
Employee benefit expenses *(Note 33)*	**1,486,682**	1,394,403
Cost of construction contracts	**6,690,408**	6,099,682
Cost of properties sold	**731,429**	366,382
Cost of inventories sold	**973,860**	1,003,905
Operating leases of buildings	**11,259**	7,531
Auditors' remuneration	**2,800**	2,800
Others	**158,906**	148,462
	10,161,878	9,128,487

33. Employee benefit expenses

	2009 *RMB'000*	2008 *RMB'000*
Wages and salaries	**1,456,122**	1,365,260
Welfare, medical and other expenses	**20,272**	19,533
Retirement benefit costs – defined contribution plans *(Note (a))*	**10,288**	9,610
	1,486,682	1,394,403

Notes:

(a) Retirement benefit costs

As stipulated by the Government regulations in the PRC, the Group is required to contribute to the state-sponsored retirement scheme for all of its employees in the PRC at 18 % to 20% (2008: 18% to 20%) of the eligible salary of its employees on a monthly basis. The state-sponsored retirement scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the monthly contributions.

(b) Directors' and supervisors' emoluments

The remuneration of each director and supervisor for the year ended 31 December 2009 is set out below:

Name of directors/supervisors	Fees *RMB'000*	Salaries, bonuses and allowances *RMB'000*	Retirement benefits *RMB'000*	Total *RMB'000*
Mr. Pang Baogen	–	800	3	803
Mr. Gao Jiming	–	500	3	503
Mr. Zhou Hanwan	–	500	3	503
Mr. Gao Lin	–	800	3	803
Mr. Wang Rongfu	–	689	3	692
Mr. Hu Shaozeng	38	–	–	38
Mr. Wang Youwei	38	–	–	38
Mr. Yi Deqing	38	–	–	38
Mr. Chan Yin Ming, Dennis	180	–	–	180
Mr. Sun Chuanlin	38	–	–	38
Mr. Kong Xiangquan	–	416	3	419
Mr. Qian Yongjiang	–	350	3	353
Mr. Chen Xingquan	20	–	–	20
Mr. Zhang Xindao	20	–	–	20
Mr. Li Yongsheng	20	–	–	20
	392	4,055	21	4,468

33. Employee benefit expenses (continued)

(b) Directors' and supervisors' emoluments (continued)

The remuneration of each director and supervisor for the year ended 31 December 2008 is set out below:

Name of directors/supervisors	Fees *RMB'000*	Salaries, bonuses and allowances *RMB'000*	Retirement benefits *RMB'000*	Total *RMB'000*
Mr. Pang Baogen	–	600	9	609
Mr. Gao Jiming	–	450	8	458
Mr. Zhou Hanwan	–	450	8	458
Mr. Gao Lin	–	450	8	458
Mr. Wang Rongfu	–	467	8	475
Mr. Hu Shaozeng	38	–	–	38
Mr. Wang Youwei	38	–	–	38
Mr. Yi Deqing	38	–	–	38
Mr. Chan Yin Ming, Dennis	180	–	–	180
Mr. Sun Chuanlin	38	–	–	38
Mr. Kong Xiangquan	–	416	8	424
Mr. Qian Yongjiang	–	350	8	358
Mr. Chen Xingquan	20	–	–	20
Mr. Zhang Xindao	20	–	–	20
Mr. Li Yongsheng	20	–	–	20
	392	3,183	57	3,632

During the years ended 31 December 2009 and 2008, no director waived any emoluments. Neither incentive payment for joining the Group nor compensation for loss of office was paid or payable to any directors during the years ended 31 December 2009 and 2008.

(c) Five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the year include four (2008: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2008: one) individual during the year are as follows:

	2009 ***RMB'000***	2008 *RMB'000*
Basic salaries and allowances	**600**	520

34. Finance costs

	2009 **RMB'000**	2008 RMB'000
Interest on borrowings wholly repayable within five years	**110,153**	119,082
Less: interest capitalised in construction in progress	**(2,781)**	(2,365)
Less: interest capitalised in properties under development	**(63,666)**	(19,490)
	43,706	97,227

The capitalisation rates applied to funds borrowed generally and used for the development of properties and construction in progress were approximately 6.2% (2008: 7.5%) per annum.

35. Income tax expense

(i) Hong Kong Profits Tax

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

(ii) PRC Corporate Income Tax

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

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

(iii) PRC land appreciation tax

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

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

	2009 **RMB'000**	2008 RMB'000
Current income tax		
– PRC CIT	**196,634**	111,370
– PRC land appreciation tax	**95,378**	47,231
Deferred income taxes, net *(Note 29)*	**(17,843)**	(21,991)
	274,169	136,610

35. Income tax expense (continued)

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

	2009 RMB'000	2008 RMB'000
Profit before income tax	**860,401**	291,368
Add: share of loss of associates	**50**	2,347
share of loss of jointly controlled entity	**5,639**	2,592
	866,090	296,307
Calculated at a tax rate of 25% (2008: 25%)	**216,523**	74,076
Income not subject to tax	**(166)**	–
Expenses not deductible for tax purposes	**971**	2,848
Unrecognised tax losses	**8,627**	26,728
Utilisation of previously unrecognised tax losses	**(25,928)**	(2,465)
Under provision in prior years	**2,609**	–
PRC land appreciation tax deductible for PRC corporate income tax purpose	**(23,845)**	(11,808)
	178,791	89,379
PRC land appreciation tax	**95,378**	47,231
Income tax expense	**274,169**	136,610

36. 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.

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

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

37. Dividends

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

The directors recommend the payment of a final dividend of RMB0.13 per ordinary share, totalling RMB86,185,000. Such dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 17 June 2010. These financial statements do not reflect this dividend payable. The final dividend of RMB53,037,000 (RMB0.08 per ordinary share) for 2008 and RMB46,407,000 (RMB0.07 per ordinary share) for 2007 was paid in 2009 and 2008, respectively.

38. Cash generated from operations

	2009 **RMB'000**	2008 *RMB'000*
Profit for the year	**586,232**	155,622
Adjustments for:		
Income tax expense *(Note 35)*	**274,169**	136,610
Depreciation *(Note 7)*	**94,900**	93,766
Amortisation of land use rights *(Note 6)*	**11,634**	11,556
Gains on disposal of property, plant and equipment *(Note 31)*	**(6,272)**	(690)
Gains on disposal of land use rights *(Note 31)*	**(2,589)**	(8,778)
Transfer to income statement upon sales of revaluated properties	**(21,734)**	(15,095)
Fair value gains on investment properties *(Note 31)*	**–**	(1,702)
Gains on disposals of investment properties *(Note 8)*	**(15,655)**	–
Interest income	**(42,763)**	(45,343)
Finance cost *(Note 34)*	**43,706**	97,227
Share of losses from associates *(Note 13)*	**50**	2,347
Share of losses from jointly controlled entity *(Note 12)*	**5,639**	2,592
Changes in working capital (excluding the effects of acquisition):		
Increase in properties under development and completed properties held for sale	**(257,830)**	(395,977)
Decrease/(Increase) in restricted bank deposits	**222,875**	(214,564)
Decrease/(Increase) in inventories	**8,868**	(1,267)
Decrease/(Increase) in balances with customers on construction contracts	**95,947**	(142,504)
Decrease/(Increase) in trade and other receivables	**62,967**	(33,180)
Increase in receipts in advance	**131,726**	555,482
Increase in trade and other payables	**238,282**	175,528
Cash generated from operations	**1,430,152**	371,630

38. Cash generated from operations (continued)

In the cash flow statement, proceeds from sale of property, plant and equipment and land use rights comprise:

	Property, plant and equipment		Land use rights	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net book amount *(Note 6 and 7)*	**25,620**	22,919	**21,350**	18,550
Gains on disposals *(Note 31)*	**6,272**	690	**2,589**	8,778
Proceeds from disposals	**31,892**	23,609	**23,939**	27,328

39. Guarantees

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Guarantees given to banks in respect of mortgage facilities granted to third parties *(Note)*	**146,091**	50,830	**–**	–
Guarantees given to banks in respect of bank loans granted to subsidiaries	**–**	–	**881,420**	1,006,000

Note:

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

40. Commitments

(a) Commitments for properties under development

	2009	2008
	RMB'000	*RMB'000*
Contracted but not provided for	**657,267**	82,791

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

As at 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2009	2008
	RMB'000	*RMB'000*
Not later than one year	**1,846**	3,378
Later than one year and not later than five years	**2,333**	2,016
	4,179	5,394

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

As at 31 December 2009, the Group had future aggregate minimum lease receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2009	2008
	RMB'000	*RMB'000*
Not later than one year	**4,199**	2,595
Later than one year and not later than five years	**5,325**	5,016
Later than five years	**2,029**	2,029
	11,553	9,640

41. Related-party transactions

Apart from the related party balances disclosed in Note 12 and related party transactions disclosed in Note 28(b), the Group had no other significant related party transactions during the year ended 31 December 2009.

Key management of the Group are the directors and supervisors, whose compensation has been disclosed in Note 33(b).

Definition

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

The Company/Baoye	Baoye Group Company Limited, a joint stock limited company incorporated in the PRC and listed on the Main Board of HKEx.
The Group/Baoye Group	Baoye Group Company Limited and its subsidiaries
Baoye Construction	Zhejiang Baoye Construction Group Company Limited, a subsidiary of the Group
Baoye Real Estate	Zhejiang Baoye Real Estate Group Company Limited, a subsidiary of the Group
Baoye Industrialization	Zhejiang Baoye Building Materials Industrialization Company, a subsidiary of the Group
Anhui Baoye	Baoye Group Anhui Company Limited, a subsidiary of the Group
Hubei Baoye	Baoye Hubei Construction Group Company Limited, a subsidiary of the Group
Construction business	The activities of undertaking and implementation of construction projects conducted by the Group
Property development business	The activities of development of real estate conducted by the Group
Building materials business	The activities of research and development, production and sale of building materials conducted by the Group
Listing Rules	The rules governing the listing of securities on the Stock Exchange of Hong Kong Limited
SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
H share	Overseas listed foreign share of nominal value RMB1.00 each in the registered capital of the Company, which are listed on the Stock Exchange, and subscribed for in HK dollars
HKEx	The Stock Exchange of Hong Kong Limited
Board	The Board of Directors of Baoye Group Company Limited
Supervisory Committee	The Supervisory Committee of Baoye Group Company Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers

Information for Shareholders

Directors

Executive Directors

Mr. Pang Baogen (*Chairman)*
Mr. Gao Lin
Mr. Gao Jiming
Mr. Zhou Hanwan
Mr. Wang Rongfu

Independent Non-executive Directors

Mr. Wang Youwei
Mr. Yi Deqing
Mr. Hu Shaozeng
Mr. Chan Yin Ming, Dennis
Mr. Sun Chuanlin

Supervisors

Supervisors

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

Independent Supervisors

Mr. Chen Xingquan
Mr. Li Yongsheng
Mr. Zhang Xindao

Audit Committee

Mr. Wang Youwei (*Chairman)*
Mr. Yi Deqing
Mr. Chan Yin Ming, Dennis

Remuneration Committee

Mr. Chan Yin Ming, Dennis *(Chairman)*
Mr. Pang Baogen
Mr. Yi Deqing

Nomination Committee

Mr. Wang Youwei *(Chairman)*
Mr. Yi Deqing
Mr. Gao Jiming

Company Secretary

Ms. Ngan Lin Chun, Esther FCIS, FCS

Auditors

International Auditor

PricewaterhouseCoopers
22nd Floor Prince's Building
Central, Hong Kong

Statutory Auditor

Shine Wing CPAs
9th Floor, Block A Fuhua Mansion
No.8 Beidajie, Chaoyangmen
Beijing, PRC
Post Code: 100027

Legal Advisers

As to Hong Kong law

Mallesons Stephen Jaques
13/F, Gloucester Tower,
The Landmark,
15 Queen's Road, Central,
Central, Hong Kong

As to PRC law

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

Hong Kong H Share Registrar

Tricor Tengis Limited
26th Floor, Tesbury Center
28 Queen's Road East
Wanchai Hong Kong

Investor Relations Consultant

Strategic Financial Relations (China)
Unit A, 29th Floor, Admiralty Centre I
18 Harcourt Road, Hong Kong

Registered Address

Yangxunqiao Township
Shaoxing County
Zhejiang Province, PRC
Tel: 86-575-84069420
Post Code: 312028

Place of Business in Hong Kong

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

Authorised Representatives

Mr. Pang Baogen
Mr. Gao Jiming

Stock Code

HKEx ("2355")

Contact

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Baoye Group Company Limited
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E-mail: irbaoye@baoyegroup.com

Website

www.baoyegroup.com

Important Dates in 2010

Events	Date
Closure of register of members of the Company	17 May 2010 to 17 June 2010 (both dates inclusive)
Annual General Meeting of 2009	17 June 2010
Payment date of final dividend of 2009	13 July 2010