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

(A joint stock limited company incorporated in the People's Republic of China)
（於中華人民共和國註冊成立的股份有限公司）

Stock Code 股票代碼：2355

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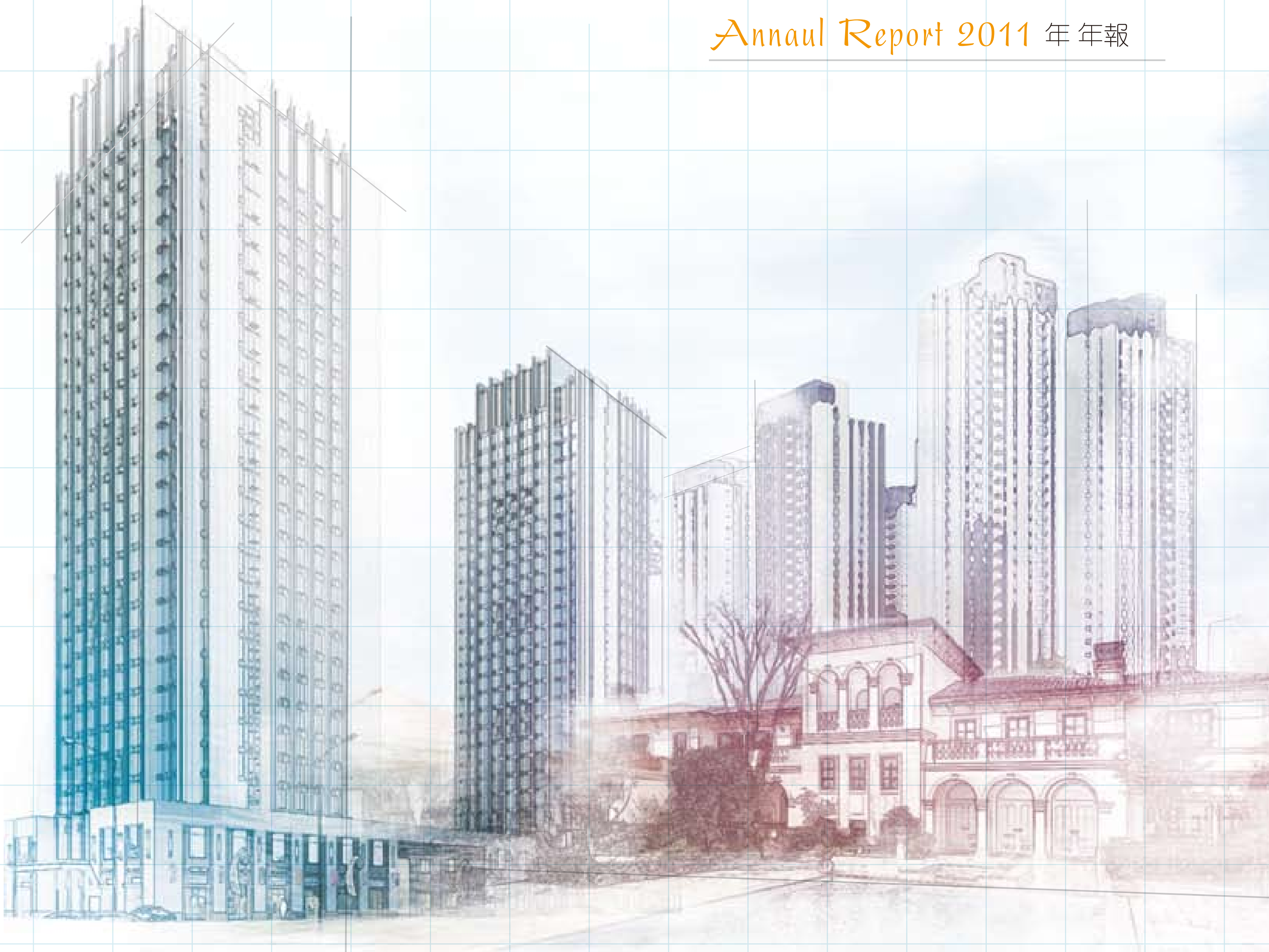

Our Mission
我們的使命

“From construction to manufacturing”

leads construction industry towards industrialisation in China.

「從建設到製造」

帶領中國建築業走向產業化

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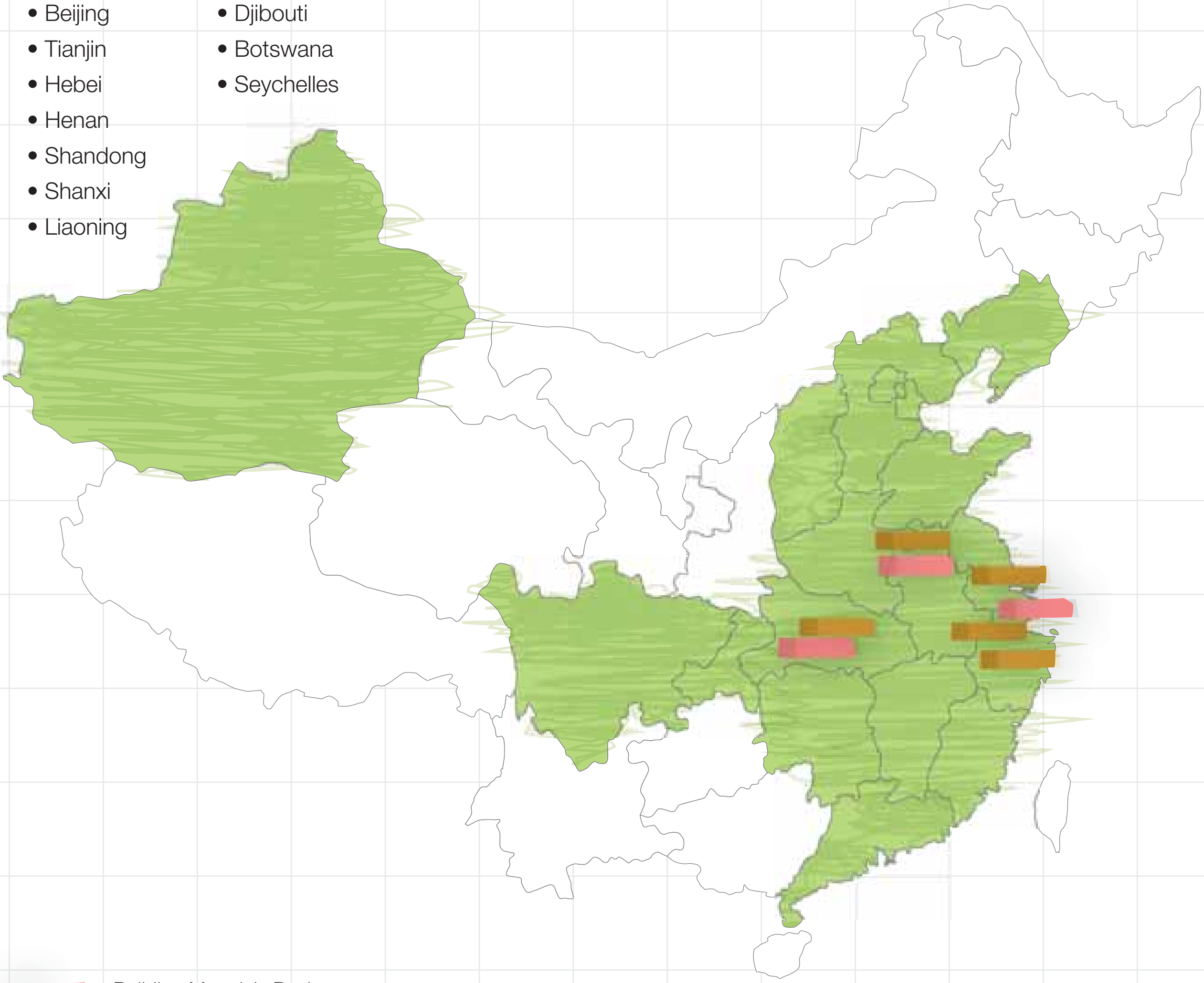

Building Materials Business

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BAOYE GROUP COMPANY LIMITED

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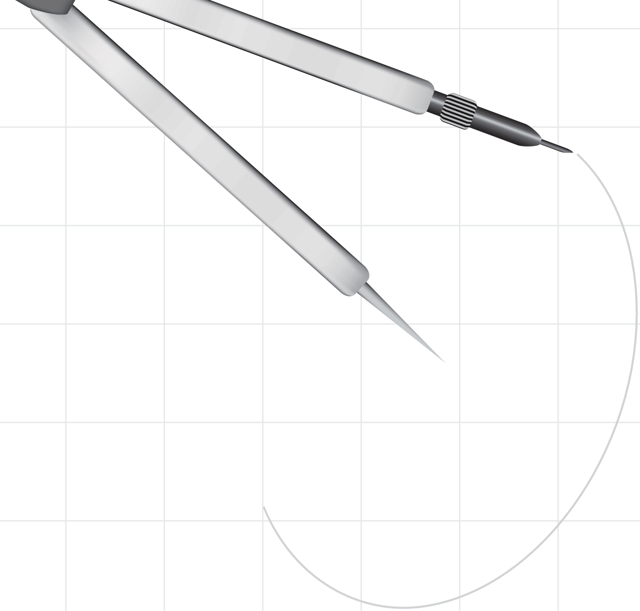
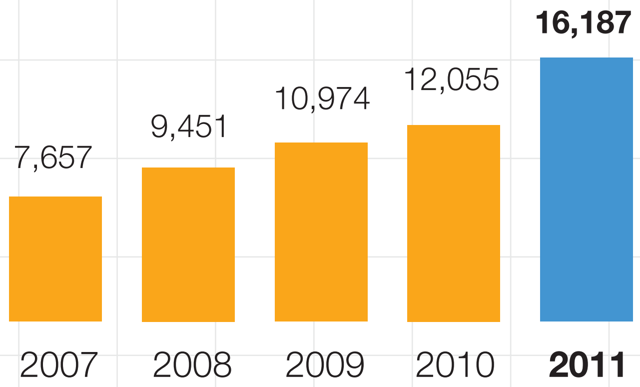


	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**16,186,830**	12,055,243	10,973,575	9,451,498	7,657,066
Profit Attributable to the Owners of the Company	**710,196**	527,875	502,239	150,044	225,795
Earnings per Share (RMB)	**1.071**	0.796	0.758	0.226	0.343
Assets and Liabilities					
Total Assets	**13,103,562**	10,959,300	9,977,724	9,440,012	7,692,050
Total Liabilities	**8,655,852**	7,129,822	6,498,535	6,449,484	4,795,642
Total Equity	**4,447,710**	3,829,478	3,479,189	2,990,528	2,896,408

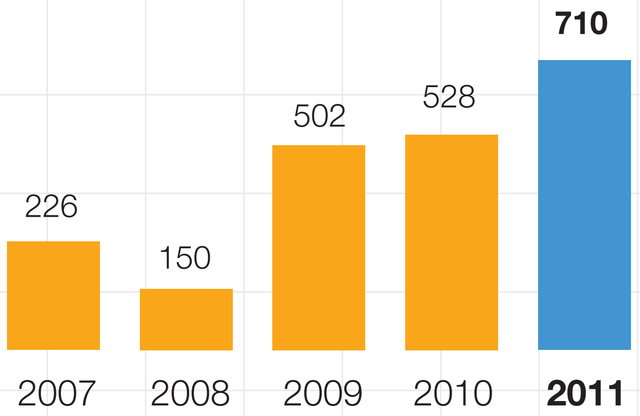
Key Financial Ratios

	As at 31 December	
	2011	2010
Return on Equity of the Company	**16.2%**	14.0%
Net Assets Value per Share (RMB)	**6.59**	5.69
Net Cash Ratio	**18%**	39%
Current Ratio	**1.28**	1.32
Cash (Outflow)/ Inflow from Operating Activities (RMB'000)	**(587,160)**	1,353,338

Revenue
(in RMB million)



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



Chairman's Statement

Pang Baogen

Chairman of the Board

On behalf of the Board, I am pleased to report the audited financial results of Baoye Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

During the year of 2011, facing the complicated and rapid changes of economic conditions both home and aboard, the Group managed quite prudently in its business against the challenges that were eroded by high inflation, increased labour costs, and tightened credit policies, all three business segments had registered commendable operating results. For the year ended 31 December 2011, the Group achieved an audited consolidated revenue of approximately RMB16,186,830,000 representing an increase of approximately 34% as compared to last year; profit attributable to the owners of the Company amounted to approximately RMB710,196,000 representing an increase of approximately 35% as compared to last year; earnings per share was RMB1.071, representing a growth of approximately 35% from the preceding year. Details of operating and financial performance of the Group will be discussed in the "Management Discussion and Analysis" section of this annual report.

Looking ahead to 2012, the volatile global financial and economic conditions will remain unchanged. Under the central government's fiscal policy and direction in spearheading the structural economic reform and development, the Chinese government will continue to adopt and implement proactive fiscal policy and prudent monetary policy with some moderate and fine adjustments from time to time. Under such preserved macro-economic environment and market condition, as a construction conglomerate company with three-in-one businesses in construction, property development and building materials, the Company is able to capture this growing opportunity and to set the right direction to sustain continuous growth and prudent development.

The year of 2012 is an important year of implementation under China's twelfth "Five-Year-Plan", followed by the execution of various local government directions, guidances and policies, the infrastructural construction projects in affordable housing, water supplies, electricity supplies, railway, rail transport, and public roads and highways have been increased steadily from time to time, the construction industry will be benefit from this golden opportune time resulting from these rapid development. As one of the national new premier construction operators, the Group will seize this opportunity to develop our business to attain "Two-surpass and Two-advance", i.e. surpass in water supplies and transport sectors as a general contractor and designer; advance in construction by integration of capital financing module and construction-operation model.

The property market in major cities had been severely affected by austerity macro-economic measures undertaken by the Chinese government, which imposed restrictions on home purchase, price tag, and bank finance, leading to decreased buy-sell volume and softening selling prices during the year. It appears that this phenomenon will be spillover into 2012. In the near term, the relative risk in property market will increase primarily due to changes in market demand and selling price, tightening bank credit policies, and increased costs in construction. However, with limited supply of land, fast pace of industrialisation and urbanisation development, and improved domestic consumption capability and increased demand for quality housing, all of which are the key drivers to support the continuous growth and development for the property market in the longer term. The primary initiative of Chinese government's restrictions on home purchase is to regulate the property market development in an orderly manner; however, the basic fundamental towards the betterment of property market in China in the long term remains unchanged. Of these, it presents challenges and opportunities for the industry leading operators with solid foundation and foresight.

Under these new restricted rules and regulations against home purchase, the Group always adopts prudent strategy and takes into consideration of the renewed macro-economic policies and market changes, assessing the returns on investment properties in target locations and increase land reserve, where appropriate, and ensuring the sustainable development of the property development business. During the year, with the increase in land supply and the lowered of land costs, the Group has successfully bid for three parcels of land use rights in Wuhan, Shanghai and Henan through public tender and auction, adding approximately 1,209,000 square metres gross floor area in land reserve. On the regional front, the Group will focus on second and third tier cities in Hubei, Anhui and Henan, where are less affected by the home restriction purchase rules and call for high demand in residential housing, reaping the development opportunities in these rapid economic growth and speedy urbanisation pace regions in history.

Benefiting from the accelerating development in central China, the Group's regional companies in Hubei and Anhui have been offered this tremendous growth opportunity, and leveraging on the Group's three-in-one business model that would generate synergies between and amongst construction, property development and building materials businesses in the development of new markets. During the year, the Group acquired two parcels of land use rights in Wuhan City, Hubei and Kaifeng City, Henan, earmarking the Group's three main businesses rapid development in central China.

The green and energy-saving construction has called for a sizable demand in meeting nation's sustainable development. Construction industrialisation and housing industrialisation will be the trend of development. The objective for the twelfth "Five-Year-Plan" is to accelerate the transformation of the property industry, improving its scientific and technology content, promoting and implementing energy-saving, environmental-friendly and industrialised residential housing. The Group has always committed in the research on industrialised housing since it became one of the national pilot companies of industrialised housing nominated by the Ministry of Housing and Urban-Rural Construction in 1997. In 2009, the Group was awarded the National Housing Industrialisation Base, and at the same time, in collaboration with Daiwa House on housing industrialisation towards to the China market, the Group has acquired substantial interests of Sievert Corcrete Precast Elements (Hefei) Company Limited and Sievert Quick-mix Building Materials (Hefei) Company to expand the application and build market leader position in housing industrialisation in the construction of affordable housing. At present, the Group has possessed the proprietary technologies of two systems of industrialised housing in light steel structure and PC structure and three building materials industrial parks in Shaoxing, Hefei and Wuhan, and as a leader of its kind, to lead the development in the areas of Yangtze River Delta and central China.

The Group highly values the importance and availability of steady operating cash flow, and has actively established banking relationship with commercial banks. The Group will endeavour to strengthen the control over cash utilisation and reservation, improve cash management system and centralise treasury activities to ensure that the Group is able to attain its successive and balance growth in a prudent manner. The Group will continue to strengthen its control in risk management, enhance awareness of risk prevention to minimise risks. The Group will continue to adopt the principles of prudent, efficient and low risk in expanding the businesses of the Group.

Dividends

At the board meeting held on 19 March 2012, the Board proposed a final dividend of RMB0.21 (2010: RMB0.16) per share for the year ended 31 December 2011. The annual dividend payout ratio was approximately 20%. The Company will adhere to a stable dividend policy and a reasonable annual dividend distribution level. The Board will take the factors of net profit, cash flow, capital requirement and other factors the Board thinks mattered into consideration to decide the dividend proposal.

Increase In Shareholding In H Share

As the chairman of the Board and the chief executive officer, I have strong confidence in the Group's operation and continuous development and I bought 5,608,000 H shares continuously in the tradable time in 2011, representing approximately 0.85% of the total issued share capital and 1.80% of the H shares.

Corporate Governance

Mr. Zhou Hanwan and Mr. Wang Rongfu retired as executive Directors by rotation at the AGM, and Mr. Wang Youwei, Mr. Yi Deqing and Mr. Hu Shaozeng retired as independent non-executive Directors by rotation at the AGM. On behalf of the Board, I would like to extend my sincere gratitude and appreciation for their effort and contribution to the Company during their tenures of office.

Human Resource

The Company firmly believes that human capital is the most valuable asset of the Company, which is also the most effective way of preserving the core competencies of the Company. The Company is committed to maintaining and perfecting an effective human resources management system, including the attainment of management, training platform, employment mechanism and incentive system to build and retain management teams that shall support the Group's future business growth and development.

Corporate Social Responsibility

The Company regards itself as a corporate citizen. It develops market, explores opportunities and serves society; dedicates to charity, education, social living and environmental care issues while creating value for its shareholders. Moreover, the Company plays an active role in the construction and development of affordable housing, engaging in some large scale affordable housing projects. The Company endeavours to develop and applies technologies of energy-saving and environment-friendly for its property development projects, and builds green homes for the communities-at-large.

Vision and Mission

Going forward to the future development, the Group will continue to adopt entrepreneurship approach instead of a businessman like approach in running its businesses. We will not only focus on grasping business opportunities, but to pitch on the corporate mission on short term gains without scarifying longer term perspectives; preserving sustainable profitability and innovation capability; maintaining mission oriented corporate spirit rather than treasuring success factors solely by corporate wealth achievement; making profits from end consumers rather than making profits from downstream dealers or intermediaries by fulfillment of demands and requirements; adopting corporate role model and minimizing perfunctory attitude in conducting our business that will lead a healthy business development of our business partners to attain a win-win and value sharing situation; building modern business processes and system and relying on these processes and system to advance and at the same time, minimizing individualism; and minimizing speculation and flickering mentality by focusing on our three main businesses, in participated the low-carbon, energy-saving and environmental-friendly industrialisation housing business; aiming to build the lead by transforming construction to manufacturing which enables industrialisation of housing to become a massive new manufacturing industry following the manufacturing of automobile and home applications industries. The Group endeavours to build these core competence attainment of good operating results using refinement of business processes and system in pursuing longer term prospective for the Group.

Last but not least, I, on behalf of the Board, would like to extend my sincerest thanks to our shareholders, investors, customers, vendors, banks, and other intermediaries for their continuous patronage and support; special thanks to our loyal employees for their hard work and dedication to achieve success, and together, we look forward to another rewarding year in 2012 for the shareholders.

Pang Baogen
Chairman of the Board
19 March 2012

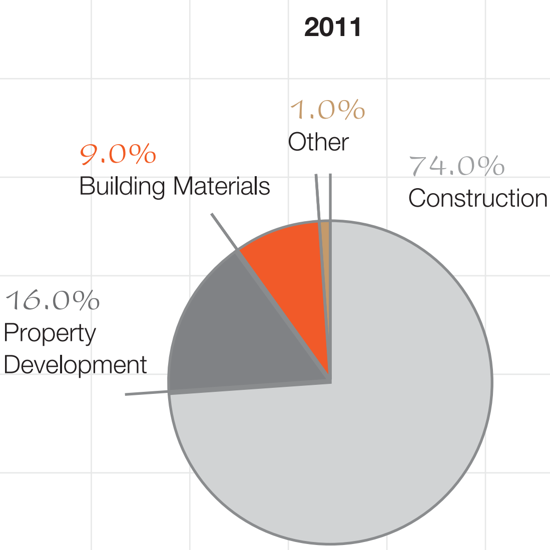
Jiangwan Green Garden

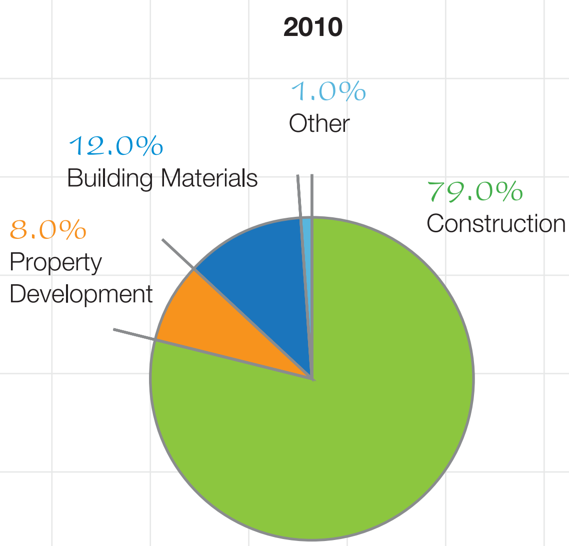
Results Review

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

Revenue

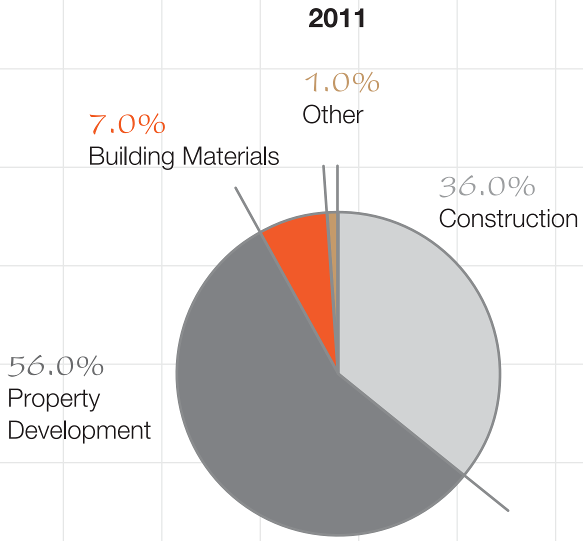
	For the year ended 31 December				
	2011		2010		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**12,002,258**	**74%**	9,534,950	79%	26%
Property Development	**2,503,583**	**16%**	912,505	8%	174%
Building Materials	**1,516,503**	**9%**	1,488,909	12%	2%
Others	**164,486**	**1%**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

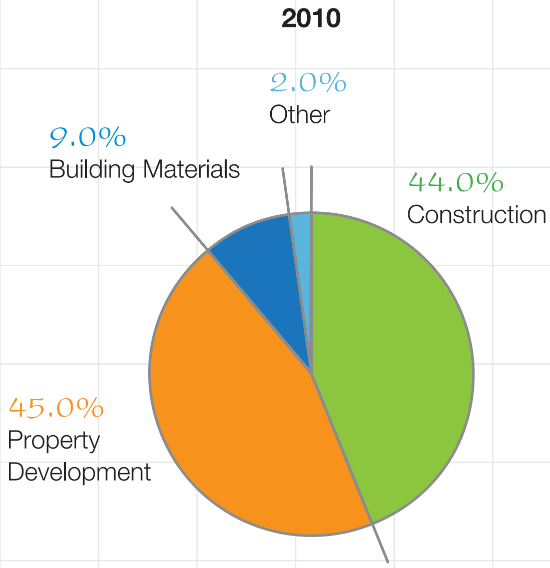




Operating Profit

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





Management Discussion and Analysis (continued)

Construction Business

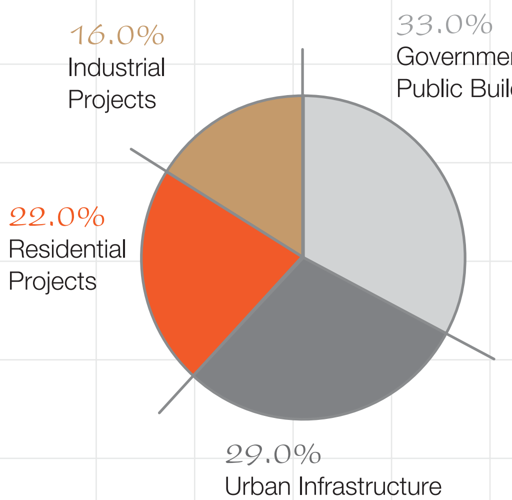
For the year ended 31 December 2011, the Group's construction business achieved a revenue of approximately RMB12,002,258,000, representing a growth of approximately 26% over last year; operating profit amounted to approximately RMB392,843,000, representing an increase of approximately 10% over last year.

For the year ended 31 December 2011, the Group's total contract value under construction-in-progress amounted to approximately RMB40,534,486,000, representing an increase of approximately 18% over last year. The total contract value for the Group's construction-in-progress is analysed below:

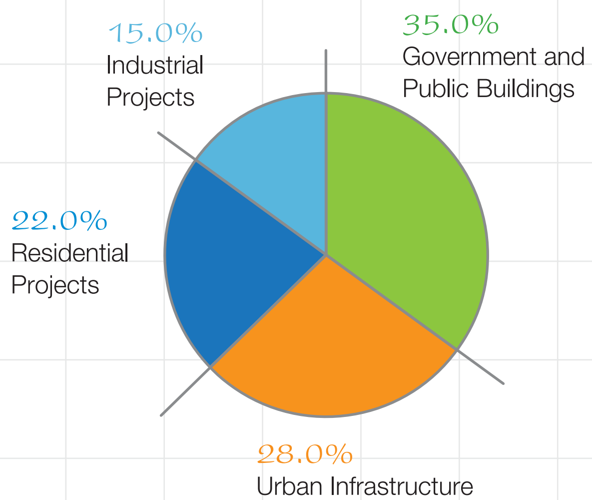
By project nature

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

2011



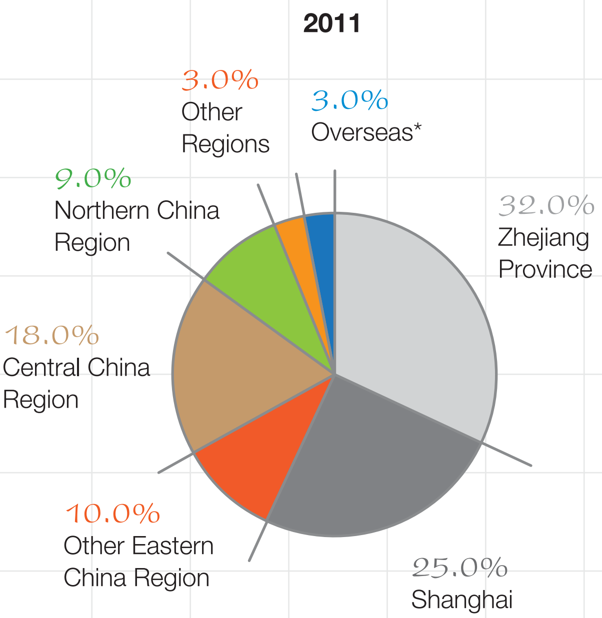
2010

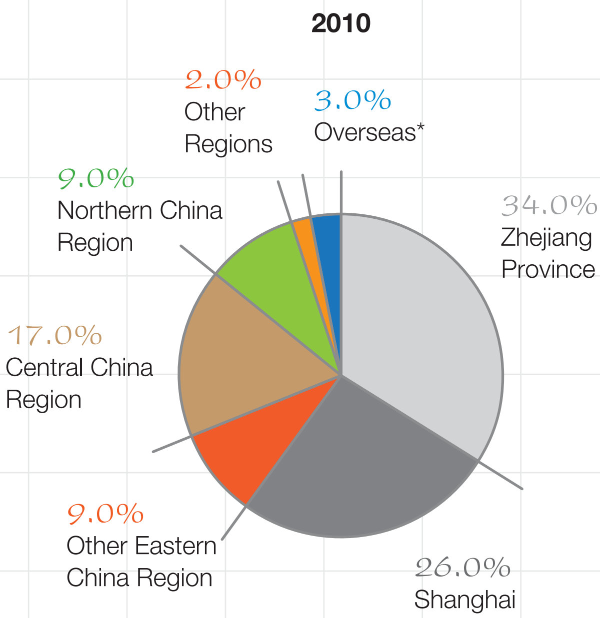


By region

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

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





Management Discussion and Analysis (continued)

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

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

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

Property Development Business

Property Sales

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

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

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

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

Projects under development

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

Project Name	Location	Total Estimated Gross Floor Area under Development *(Sqms)*	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	510,000	100%
Daban Fengqing Phase II	Shaoxing	150,000	100%
Yuyuan	Shaoxing	75,000	49%
Yangxun Commercial Centre	Shaoxing	36,000	100%
Jiangwan Green Garden	Shaoxing	59,000	100%
City Green Garden Phase IV	Hefei	100,000	100%
Baoye Dongcheng Square	Hefei	228,500	100%
Jiangwan Luyuan	Hangzhou	70,000	100%
Baoye Guanggu Lidu	Wuhan	300,000	100%

Management Discussion and Analysis (continued)

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a "province-rank" resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilisation flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from downtown of Shaoxing City, it is known as the "natural treasure in the heart of a city". Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres with 0.5 time plot ratio and a planned gross floor area of approximately 525,000 square metres for the development of deluxe villas, semi-detached villas, town houses and garden houses. It also consists of a golf club and a five-star resort hotel, a country park and a central lakeside garden with full-fledged facilities. Revenue generated from the Lotus Garden of Phase I has been recognised in 2011, the Liu Garden of Phase I has been sold out and revenue generated from it will be recognised in 2012; and the He Garden of Phase II is under pre-sale with encouraging results.

Daban Fengqing is located in Keqiao, Shaoxing County, has a total site area of approximately 100,000 square metres and an estimated gross floor area of approximately 280,000 square metres. The land is in the development zone of the future central business district of Keqiao, alongside the "dual lake" district, east of Dabanhu, served by well-developed community facilities. The project is positioned as a premier residential property in Keqiao, Shaoxing County and has been developed in two phases. Daban Fengqing Phase I had been delivered to owners in 2011, while Daban Fengqing Phase II, with an area of approximately 150,000 square metres, is under development, and approximately 70% of which has been sold and revenue generated from it will be recognised in 2012.

Yuyuan, located at No. 1 Yangming Road, Shaoxing City, has a total site area of approximately 180,000 square metres and an estimated gross floor area of approximately 98,000 square metres. The Group and Greentown China Holdings Limited, a listed company on the Stock Exchange, jointly acquired the land and developed it into a high-end property project in which the Group is interested in 49%. The land area is within the resort district of Kuaijishan Tourist Resort Zone, a prime location in Shaoxing City and is of close proximity to the Group's golf club and Baoye Four Seasons Garden. Yuyuan has been developed as a low density deluxe villa project. 27 sale-units of Phase I have been delivered to owners in 2011 and the remaining four phases are currently under development.

Yangxun Commercial Centre, located in the centre of Yangxunqiao Township, Shaoxing County, has a site area of approximately 10,000 square metres with 3.68 times plot ratio and an estimated gross floor area of approximately 36,000 square metres. This project consists of residential, commercial units and agricultural products market complex. The project has been entirely sold out and revenue generated from it is expected to be recognised in 2012.

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

City Green Garden is located in Yaohai District, a prime developing zone in Hefei City, Anhui, with convenient transportation. It comprises high-end properties with a portion of commercial units and offices. City Green Garden has a total gross floor area of approximately 520,000 square metres, developed in four phases, of which Phase I, Phase II and Phase III have been completed and accounted for as revenue in the past few years. City Green Garden Phase IV, with an estimated gross floor area of approximately 100,000 square metres, is currently under development and has commenced its pre-sale in December 2011 with satisfactory results.

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

Jiangwan Luyuan is located in Xiaoshan District, Hangzhou City, having a total site area of approximately 50,000 square metres and a total gross floor area of approximately 70,000 square metres, facing the China Textile City with good location and convenient transportation and community facilities. The project will be developed into a low-carbon, green and environmental-friendly residential community with multi-storey residential buildings and town houses. It is expected to be ready for pre-sale in the first half of 2012.

Management Discussion and Analysis (continued)

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

Newly Acquired Land Reserves

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

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

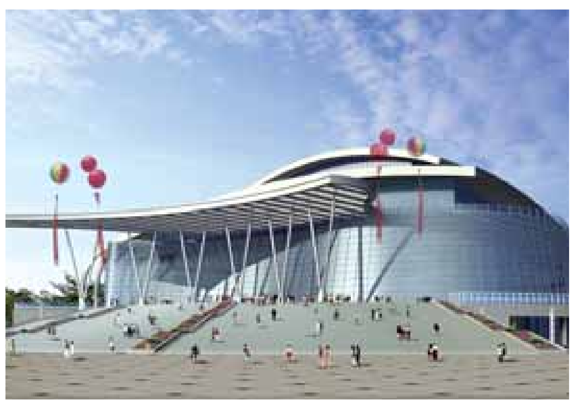
Leveraging on the Group's healthy cash flow position, prudent financial position and low land cost, the Group will continue to adopt a prudent but proactive role in expanding its business and will seek acquisition targets or cooperation projects in project development and land acquisition, aiming to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

Building Materials Business

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

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

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



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

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

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

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

Prospect

Operating Environment

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

Business Strategy

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

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

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

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

Property development business contributes substantial profit to the Group

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

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

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

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

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

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

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

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

Financial Review

Financial Policies

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

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

Financial Resources and Liabilities

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

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

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

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

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

Other Key Financial Ratios

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

Return on equity	=	profit attributable to the owners of the Company/total equity attributable to the owners of the Company
Net assets value per share	=	total equity attributable to the owners of the Company/number of issued shares at the end of the year
Current ratio	=	current assets/current liabilities

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

Cash Flow Analysis

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

Note:

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

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

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

Land Appreciation Tax

The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial Reporting and Accounting Standards in accounting for such tax provision, and has also prepaid the land appreciation taxes based on the sale values multiplied by certain assessed rates determined by the respective local tax authorities where the properties are located. For the year ended 31 December 2011, the Group's land appreciation tax amounted to approximately RMB216,177,000. Besides, the Group is an integrated enterprise with construction, property development and building materials as its three main businesses. Therefore, the financial impact resulting from the tax pronouncement towards the Group's operating results would be minimal.

Administrative Expenses

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

Finance Costs

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

External Guarantee and Fulfillment

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

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

Details of the Charges on the Group's Assets

As at 31 December 2011, land use rights, property, plant and equipment, properties under development and restricted bank deposits at a total value of approximately RMB917,721,000 (as at 31 December 2010: RMB889,288,000) were pledged to banks as security in securing bank borrowings.

Capital Expenditure Plan

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

Adjustment of RMB Exchange Rate and Foreign Exchange Risks

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

Connected Transactions

During the year ended 31 December 2011, the Group had no connected transaction that would require disclosure under the Listing Rules.

Purchase, Sale or Redemption of Shares of the Company

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Human Resources

As at 31 December 2011, the Group had a total of approximately 3,520 permanent employees (as at 31 December 2010: 3,705). Also, there were approximately 72,560 indirectly employed construction site workers (as at 31 December 2010: 63,050). These workers were not directly employed by the Group. For the year ended 31 December 2011, the total employee benefit expenses amounted to approximately RMB2,553,662,000 (2010: RMB1,942,642,000). Employee benefit expenses include salary, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Board is continuously working on devising, revising and implementing a more effective employee incentive plan to encourage superior performance of employees to fit into the Group's long term development plan.

Litigation and Arbitration

As at the date of this 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.

Model Code for Securities Transactions by Directors and Supervisors

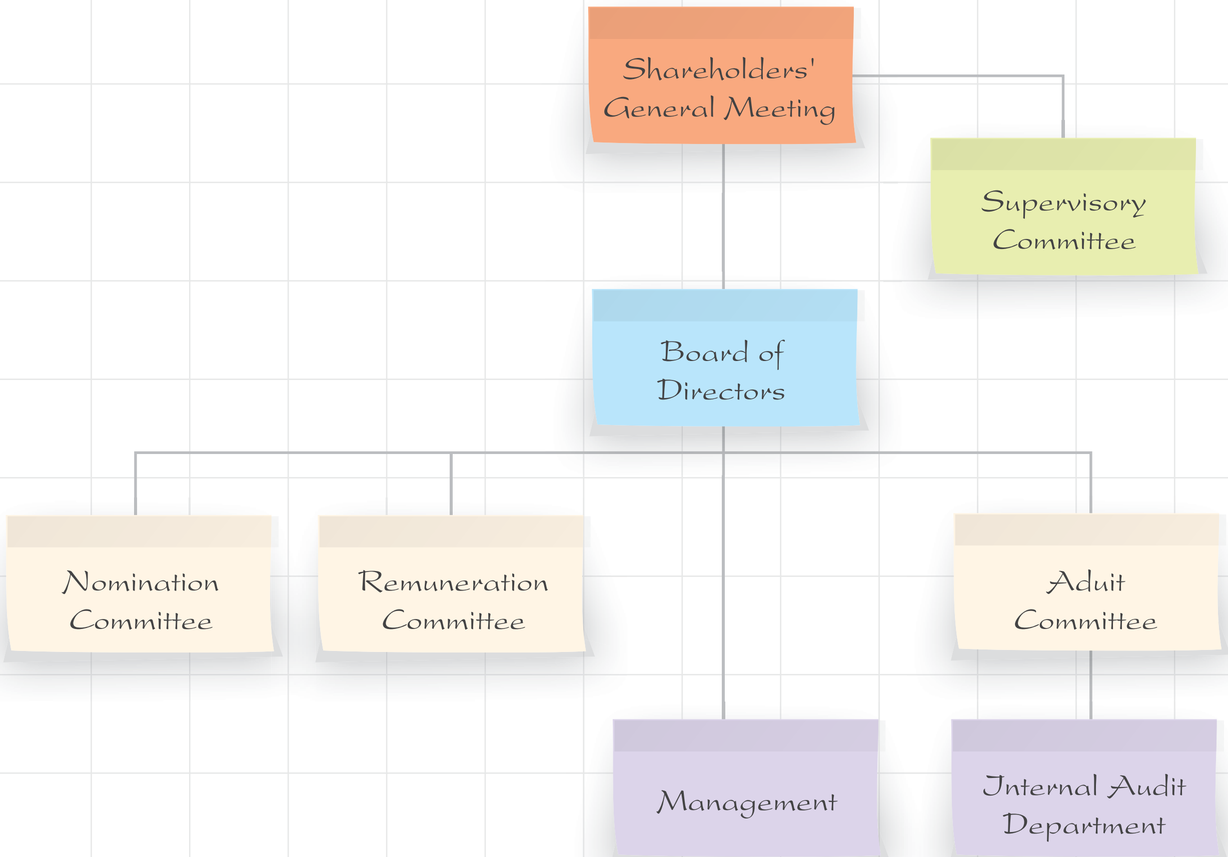
The Board and the Supervisory Committee have adopted the Model Code as its own code of conduct for securities transactions by the directors and supervisors. Specific enquiries have been made by the Company and all the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the year of 2011. If any related employees possess information which may be considered as sensitive to the Company's share price and such information is not public, such employee has to comply with the written guidance, which is as strict as the Model Code.

Corporate Governance Report

Baoye Four Seasons Garden

The Group is committed to establishing an efficient, orderly and transparent corporate governance mechanism. Since its listing, the Company strives to comply with the Company Law, the Listing Rules, the 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 development strategies and complies with the rules and regulations mandated by the articles of association of the Company in discharging its duties and responsibilities.

At the AGM, Directors of the third term of the Board, namely, Mr. Zhou Hanwan and Mr. Wang Rongfu, retired as executive Directors by rotation, and Mr. Wang Youwei, Mr. Yi Deqing and Mr. Hu Shaozeng retired as independent non-executive Directors by rotation. The Board took this opportunity to appreciate their contributions to the Company during their terms.

The fourth term of the Board was elected at the AGM. The Board consists of nine Directors, including five executive Directors, namely, Mr. Pang Baogen (the chairman of the Board), Mr. Gao Lin, Mr. Gao Jiming, Mr. Gao Jun and Mr. Jin Jixiang; one non-executive Director, namely, Mr. Fung Ching, Simon; and three independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis, Mr. Wang Youqing and Mr. Zhao Rulong. Each of Mr. Fung Ching, Simon and Mr. Chan Yin Ming, Dennis has professional accounting qualifications and possess a breath of experience in accounting and financial management. Mr. Wang Youqing has acquired rich law and government management experience. Mr. Zhao Rulong is an expert of the construction industry in China and has acquired rich construction and administrative experience. The composition of the Board reflects a balance between effectiveness and independence.

Each member of the Board had entered into a three-year service contract with the Company. According to the articles of association of the Company, all Directors will retire by rotation every three years at the annual general meeting of the Company, but are eligible for re-election.

Brief biographical details of the Directors are set out on pages 42 to 45 of the annual report.

The Board has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the directors. Having made specific enquiries with each Director, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2011.

The remuneration of each of the Directors is disclosed on an individual basis, details of which are set out in note 32 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 had all attended the Board meetings held during the year. Directors received notice of Board meetings at least 7 days before the date on which the Board meeting was scheduled to be held and all Directors are offered opportunities to suggest any issue for discussion and to be included in meeting agenda. All the minutes of Board meetings are filed and accessible to all Directors at any time.

Attendance of Board Meetings in 2011

Name	Attendance/Number of Board Meetings[6]
Executive Directors	
Mr. Pang Baogen	4/4
Mr. Gao Lin	4/4
Mr. Gao Jiming	4/4
Mr. Zhou Hanwan[1]	1/4
Mr. Wang Rongfu[1]	1/4
Mr. Gao Jun[2]	3/4
Mr. Jin Jixiang[2]	3/4
Non-executive Director	
Mr. Fung Ching, Simon[3]	3/4
Independent Non-executive Directors	
Mr. Wang Youwei[4]	1/4
Mr. Yi Deqing[4]	1/4
Mr. Hu Shaozeng[4]	1/4
Mr. Chan Yin Ming, Dennis	4/4
Mr. Wang Youqing	4/4
Mr. Zhao Rulong[5]	3/4

1 Mr. Zhou Hanwan and Mr. Wang Rongfu retired as executive Directors by rotation at the AGM.

2 Mr. Gao Jun and Mr. Jin Jixiang were appointed as executive Directors at the AGM.

3 Mr. Fung Ching, Simon was appointed as non-executive Director at the AGM.

4 Mr. Wang Youwei, Mr. Yi Deqing and Mr. Hu Shaozeng retired as independent non-executive Directors by rotation at the AGM.

5 Mr. Zhao Rulong was appointed as independent non-executive Director at the AGM.

6 Three Board meetings were held after the AGM.

Board Committees

The Board has established three Board committees, namely, the audit committee, the nomination committee and the remuneration committee to strengthen its functions and corporate governance practices. The audit committee, the nomination committee and the remuneration committee perform their specific duties in accordance with their respective written terms of reference.

Audit Committee

The audit committee of the Company consists of two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Wang Youqing, and one non-executive Director, namely, Mr. Fung Ching, Simon, with Mr. Chan Yin Ming, Dennis as the chairman of the audit committee.

The terms of reference of the Company's audit committee are formulated in accordance with Appendix 14 to the Listing Rules and the recommendations in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review and supervise the Group's financial reporting procedures and internal audit scheme formulated by the internal audit department of the Company and review the reports submitted by the internal audit department. It is also responsible for reviewing affairs related to the appointment, resignation and replacement of independent auditors as well as assessing the auditors' performance and whether their audit fees are reasonable, and providing relevant recommendations to the Board. The audit committee of the Company held two meetings during the year of 2011.

The major tasks accomplished during the year include:

– reviewing the annual and interim results announcement, reports and financial statements of the Group;

– reviewing and providing recommendations on the accounting policies adopted by the Group and the accounting practice issues;

– monitoring the work of the internal audit department of the Group and reviewing the reports submitted by it;

– advising on the material transactions of the Group and providing recommendations on related risks to management; and

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

Attendance of Audit Committee Meetings in 2011

Name	Attendance/Number of Audit Committee Meetings
Mr. Chan Yin Ming, Dennis	2/2
Mr. Wang Youqing	2/2
Mr. Fung Ching, Simon	2/2

Remuneration Committee

The remuneration committee comprises two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Zhao Rulong, and one executive Director, namely, Mr. Pang Baogen, with Mr. Chan Yin Ming, Dennis as the chairman of the remuneration committee. The remuneration committee of the Company held one meeting during the year of 2011.

The major tasks accomplished during the year include:

– reviewing the remuneration policy, the terms of service contracts; and

– assessing the performance of all executive Directors, Supervisors and senior managers.

Attendance of Remuneration Committee Meeting in 2011

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

Nomination Committee

The nomination committee comprises two independent non-executive Directors, namely, Mr. Wang Youqing and Mr. Zhao Rulong, and one executive Director, namely, Mr. Gao Jiming, with Mr. Wang Youqing as the chairman of the nomination committee. The nomination committee held one meeting in 2011.

The major tasks accomplished during the year include:

– reviewing the structure, number of members and composition of the Board and the Supervisory Committee, and providing the Board with recommendations on any intended change;

– identifying appropriate candidates for the positions of directors and supervisors, and nominating such persons to be directors and supervisors;

– assessing the independence of the independent non-executive Directors; and

– providing recommendation on the plan of the appointment or re-appointment and succession of directors and supervisors to the Board.

Attendance of Nomination Committee Meeting in 2011

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

Directors' Responsibility on the Financial Statements

The Directors of the Company acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2011, which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibilities of the external auditors on the financial statements are set out in the Independent Auditor's Report on pages 55 to 56 of the annual report.

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, its members and the senior management such as the general manager and deputy general managers. The Supervisory Committee comprises five supervisors, who will serve for a term of three years and are eligible for re-election. The number of members and composition of the Supervisory Committee comply with the requirements of the relevant laws and regulations.

The Supervisory Committee comprises Mr. Kong Xiangquan (chairman of the Supervisory Committee), Mr. Qian Yongjiang, Mr. Yuan Ajin and independent supervisors, namely, Mr. Li Yongsheng and Mr. Zhang Xindao. The Supervisory Committee is accountable to the shareholders meeting and exercises the following authority in accordance with the applicable laws:

– examining the financial statements of the Company;

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

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

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

– proposing to convene extraordinary general meeting; and

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

The Supervisory Committee convened two meetings during the year and all five Supervisors attended the meetings. The Supervisory Committee has also adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Supervisors. Having made specific enquiries with each supervisor, all supervisors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2011.

Internal Audit

The Company has established an internal audit department. The internal audit department is independent from the finance department or other management departments. It reports directly to the audit committee and the Board. The primary duties of the internal audit department are to monitor and review the effectiveness of the operation of the financial, operational and compliance control as well as risk management systems of the Company and its subsidiaries. During the year, it has reviewed, monitored, and submitted reports on review and approval system for use of capital, financial budgeting system, system governing signing of contracts and bidding budget; and final settlement and control system according to the internal audit plans. The Company's internal audit department has conducted special purpose auditing on certain subsidiaries 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.

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 throughout the year of 2011, except that the role of the chief executive officer of the Group has been assumed by Mr. Pang Baogen, the chairman of the Board. Three general managers have been appointed to oversee and manage the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of the Group's policies efficiently. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

Investor Relations

The Company pays great attention to maintain good relations with investors and firmly believes that investor relations is an important aspect of a listed company. Transparency and efficiency in disclosing accurate corporate information pertaining to development strategies, operating performance, financial conditions and business prospects are important to investors. In order to provide more information for its investors and the potential investors, the Group endeavors to interact with its shareholders, investors, analysts, investment banks and financial medias and release the latest announcement, circular, interim report and annual report, as well as the Company's newsletters.

Meanwhile, the Company regularly arranged meetings for communication between the management and investors and media, which not only enable the investors to have a deep acknowledge of the Company's business development, but also can provide opportunities to reply their suggestions and expectation to the Board and the management.

Substantial Shareholders of H Shares

As at 31 December 2011, so far as was known to the Directors, the following persons, other than Directors, supervisors and senior management of the Company, have an interest in the shares of the Company as recorded in the register required to be kept under the Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Number of H Shares of the Company Held (Long Position)	Approximate Percentage of the Total Issued H Shares of the Company	Approximate Percentage of the Total Registered Share Capital of the Company
Atlantis Capital Holdings Ltd	63,000,000	20.18%	9.50%
Liu Yang*	63,000,000	20.18%	9.50%
JPMorgan Chase & Co.	28,062,000	8.99%	4.23%
Norges Bank	28,030,000	8.98%	4.23%
HSBC Global Asset Management (Hong Kong) Limited	28,000,000	8.96%	4.22%
Henderson Global Investors Limited	24,948,000	7.99%	3.76%

* The interest is held by Ms. Liu Yang through her controlled corporation, namely, Atlantis Capital Holdings Ltd.

Important Dates

Events	Date
Issued Interim Results Announcement of 2011	22 August 2011
Issued Annual Results Announcement of 2011	19 March 2012
Closure of register of members of the Company	From 15 May 2012 to 15 June 2012 (both dates inclusive) From 22 June 2012 to 29 June 2012 (both dates inclusive)
Annual General Meeting of 2011	15 June 2012
Payment date of the final dividend of 2011	25 July 2012

Biographical Details of Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Pang Baogen, born in 1957, is the founder, chairman of the Board and chief executive officer of the Group. Mr. Pang is one of the experts who has received the special award of the State Council and is a member of the expert committee for the China Construction Reform and Development under the Ministry of Housing and Urban-Rural Development of the People's Republic of China. He holds a professor level senior engineer qualification. He is well respected and recognised in the construction industry in China and has received awards including Model Worker of National Construction System, Advanced Individual of National Sustainable Communities, Outstanding Manager in Zhejiang Province, Youth Scientific and Technical Worker with Outstanding Contributions to Zhejiang Province as well as Zhejiang Charity Award and Zhejiang Charity Star. Mr. Pang has extensive experience in the construction technology field and of enterprise management. He actively promotes independence and innovation, and takes on national topics such as "risk-prevention in big projects" 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 contractual management 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 the director of the Institute of Construction and Housing Industrialisation of National Construction Engineering Technology Research Center.

Mr. Gao Lin, born in 1970, is an executive Director, the director of the operation management committee of the Company and the general manager of Hubei Baoye. Mr. Gao holds a professor level senior engineer qualification and is a graduate of the Fudan EMBA Programme. He is also a senior professional manager of the construction industry in China. He was awarded 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, a celebrity of the 9th (2010) Hubei Economic Year, Talent for Economic Development of Shaoxing City, Model Worker of Shaoxing City. He is currently the vice chairman of the Federation of Industry and Commerce in Hubei Province and the 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 14th 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 the chairman and general manager of Hubei Construction Real Estate Development Company, a subsidiary of Hubei Baoye. Mr. Gao is a graduate of the China University of Geosciences, majoring in civil engineering and holds a senior engineer qualification. He is the vice-chairman of the Real Estate Association of Shaoxing County. He joined the Group in 1978.

Mr. Gao Jun, born in 1972, is an executive Director and a member of the operation management committee of the Company, and the general manager of Anhui Baoye. Mr. Gao graduated from the China University of Geosciences, majoring 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, the supervisory committee chairman and executive chairman of Zhejiang Enterprises Union in Anhui, vice chairman of the Anhui Journalist Union and a standing committee member of Hefei Industrial and Commercial Chamber. He joined the Group in 1989.

Mr. Jin Jixiang, born in 1967, is an executive Director and a member of the operation management committee of the Company, and a director and the general manager of Baoye Construction. Mr. Jin graduated from the China University of Geosciences, majoring in civil engineering and holds a professor level senior engineer qualification. He was awarded the National Excellent Decoration Entrepreneur, National Excellent Construction Entrepreneur, a senior professional manager of the construction industry in China,Top 10 Outstanding Entrepreneurs of Construction in Zhejiang, Model Worker of Shaoxing City, Talent with great contribution to the development of Shaoxing City and the Advanced Productivity Worker of Shaoxing City. Mr. Jin joined the Group in 1985.

Non-executive Director

Mr. Fung Ching, Simon, born in 1969, is a non-executive Director and a member of audit committee of the Company and is currently the chief financial officer and the company secretary of Greentown China Holdings Limited, a company listed on the main board of the Stock Exchange and an independent non-executive director of Hainan Meilan International Airport Company Limited, a company listed on the main board of the Stock Exchange. Mr. Fung graduated from the Queensland University of Technology in Australia with a Bachelor's degree, majoring in accountancy. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the CPA Australia. Mr. Fung served as the chief financial officer and secretary to the Board between 2004 and 2010, and he worked in PricewaterhouseCoopers between 1994 and 2004.

Independent Non-executive Directors

Mr. Chan Yin Ming, Dennis, born in 1954, a Canadian living in Hong Kong, is an independent non-executive Director, chairman of audit committee and remuneration committee of the Company. Mr. Chan is a graduate of the John Molson School of Business of Concordia University, Canada and has obtained a professional diploma in accountancy from the McGill University, Canada. Mr. Chan is an associate member of the Chartered Institute of Management Accountants, United Kingdom (ACMA), an 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 35 years of experience in public accountancy, management consultancy, manufacturing, distribution, telecommunications retailing, logistics and financial services.

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

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

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

Supervisors

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

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

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

Independent Supervisors

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

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

Senior Management

Mr. Wang Rongfu, born in 1954, is the chairman of Baoye Construction. 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 as the lead member of the onsite inspection of the premier national construction projects. He joined the Group in 1976.

Mr. Wang Rongbiao, born in 1968, is the deputy director of operation management committee and a director and the general manager of Baoye Industrialisation. Mr. Wang graduated from Wuhan Science and Technology University, majoring in civil engineering, and holds a senior engineer qualification. He is currently the representative of the People's Congress of Shaoxing County. Mr. Wang joined the Group in 1986.

Mr. Lou Zhonghua, born in 1968, is a member of the operation management committee of the Company, and a director and the general manager of Baoye Real Estate. Mr. Lou graduated from the China University of Geosciences, majoring in civil engineering and holds a senior engineer qualification. He is currently the representative of the 13th Party Congress of Shaoxing County and vice-chairman of the Real Estate Association of Shaoxing City. Mr. Lou joined the Group in 1986.

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

Mr. Jiang Xiaohua, born in 1970, is the chief accountant of the Company. Mr. Jiang graduated from Jiangxi University of Finance and Economics in 1993, majoring in finance and taxation. He graduated from Zhejiang University and obtained the master degree in 2003. Mr. Jiang holds the senior accountant certification and was awarded as one of the National Accounting Leading Talents. He was previously the inspection officer of Finance and Taxation Bureau of Shaoxing County and the chief financial officer of Tianlong Group Company Limited. Mr. Jiang joined the Group in 2004.

Directors' Report

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2011.

Principal Activities

The principal activities of the Group are the provision of construction service, development and sale of properties, and manufacture and distribution of building materials. The activities of the Company's principal subsidiaries are set out in note 9 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 2011 are set out in the balance sheets of the consolidated financial statements prepared in accordance with HKFRS on pages 57 to 58 of the annual report.

The results of the Group for the year ended 31 December 2011 prepared in accordance with HKFRS are set out in the consolidated income statement on page 59 of the annual report.

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 4 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 22 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 owners amounted to approximately RMB438,570,000 as at 31 December 2011 (2010: RMB340,498,000).

Dividends

At the Board meeting held on 19 March 2012, the Board proposed a final dividend of RMB0.21 (2010: RMB0.16) per ordinary share for the year ended 31 December 2011.

Segment Information

The Group is principally engaged in the following three main operating 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 2011 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 Group's five largest customers or suppliers.

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, 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 2011 are as follows:

Directors

Executive Directors

Mr. Pang Baogen *(Chairman of the Board)*
Mr. Gao Lin
Mr. Gao Jiming
Mr. Zhou Hanwan (Retired by rotation on 13 June 2011)
Mr. Wang Rongfu (Retired by rotation on 13 June 2011)
Mr. Gao Jun (Appointed on 13 June 2011)
Mr. Jin Jixiang (Appointed on 13 June 2011)

Non-executive Director

Mr. Fung Ching, Simon (Appointed on 13 June 2011)

Independent Non-executive Directors

Mr. Wang Youwei (Retired by rotation on 13 June 2011)
Mr. Yi Deqing (Retired by rotation on 13 June 2011)
Mr. Hu Shaozeng (Retired by rotation on 13 June 2011)
Mr. Chan Yin Ming, Dennis
Mr. Wang Youqing
Mr. Zhao Rulong (Appointed on 13 June 2011)

Supervisors

Supervisors

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

Independent Supervisors

Mr. Li Yongsheng
Mr. Zhang Xindao

Changes of Directors, Supervisors and Senior Management

Mr. Zhou Hanwan and Mr. Wang Rongfu retired as executive Directors by rotation at the AGM, and Mr. Wang Youwei, Mr. Yi Deqing and Mr. Hu Shaozeng retired as independent non-executive Directors by rotation at the AGM.

The appointment of Mr. Gao Jun and Mr. Jin Jixiang as executive Directors, Mr. Fung Ching, Simon as a non-executive Director and Mr. Zhao Rulong as an independent non-executive Director were approved at the AGM.

Biographical Details of Directors, Supervisors and Senior Management

Brief biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 42 to 45 of the annual report.

Remuneration of Directors

The remuneration of the Directors is disclosed on an individual named basis in note 32 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 32 to the consolidated financial statements.

Independence of Independent Non-executive Directors

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

Interests of Directors, Supervisors, Chief Executive Officer and Senior Management

As at 31 December 2011, the interests and short positions of Directors, Supervisors, chief executive officer and senior management of the Company and any of the associated corporations within the meaning of Part XV of the SFO, which are required to be (i) notified to the Company and HKEx pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and HKEx pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

Directors/ Supervisors/Chief Executive Officer/ Senior Management	Relevant Entity	Capacity	Number of Domestic Shares (Long Position)	Number of H Shares (Long Position)	Approximate Percentage of the Total Registered Capital of the Relevant Entity
Directors					
Mr. Pang Baogen	The Company	Individual	198,753,054	–	29.98%
Mr. Pang Baogen	The Company	Individual		5,608,000	0.85%
Mr. Pang Baogen	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	361,244	–	0.71%
Mr. Gao Jiming	The Company	Individual	13,024,647	–	1.96%
Mr. Gao Jiming	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	180,622	–	0.36%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.44%
Mr. Gao Lin	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Gao Jun	The Company	Individual	5,794,259	–	0.87%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.37%
Supervisors					
Yuan Ajin	The Company	Individual	4,803,583	–	0.72%
Senior Management					
Mr. Sun Guofan	The Company	Individual	11,705,283	–	1.77%
Mr. Zhou Hanwan	The Company	Individual	8,233,510	–	1.24%
Mr. Zhou Hanwan	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Wang Rongfu	The Company	Individual	7,147,039	–	1.08%
Mr. Wang Rongfu	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Lou Zhonghua	The Company	Individual	5,633,172	–	0.85%
Mr. Lou Zhonghua	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Wang Rongbiao	The Company	Individual	2,647,911	–	0.40%

Directors' and Supervisors' Service Contracts

At the AGM, 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 2013 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

	Initial Public Offering	The 1st Placement of H shares	The 2nd Placement of H shares	The 3rd Placement of H shares
Class of shares listed	H share	H share	H share	H share
Listing place	Main Board of HKEx.	Main Board of HKEx.	Main Board of HKEx.	Main Board of HKEx.
Offering/placing price	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

Funds Raised and Dividends

Year	Funds Raised (HKD)	Dividend (RMB/share)	Total Dividends (RMB)	Full – Year Earnings (RMB)	Approximate Percentage of Full-year Earnings (%)
2003	258,370,000	0.0635	33,746,000	112,409,000	30%
2004	–	0.1436	81,502,000	275,082,000	30%
2005	356,660,000	0.12	73,311,000	304,226,000	24%
2006	–	0.07	46,407,000	474,032,000	10%
2007	566,160,000	0.07	46,407,000	225,795,000	21%
2008	–	0.08	53,037,000	150,044,000	35%
2009	–	0.13	86,185,000	502,239,000	17%
2010	–	0.16	106,074,240	527,875,000	20%
2011	–	0.21	139,222,000	710,196,000	20%
Total	1,181,190,000		526,669,240		

Share Capital

As at 31 December 2011, a total of 662, 964, 005 shares of the Company were 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.

Connected Transactions

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

Pre-Emptive Rights

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

Policies on Income Tax

For the year ended 31 December 2011, the Company and its subsidiaries, in general, paid PRC corporate income tax at a rate of 25% of its assessable profits according to the relevant laws and regulations in the PRC. Baoye Group Zheijiang Construction Industry Institute Company Limited, a subsidiary of the Company, is being recognised as a hi-tech enterprise in 2010 and is entitled to a corporate income tax rate of 15%. Details of the Group's income tax are disclosed in note 34 to the consolidated financial statements.

External Guarantee and Fulfillment

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

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

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 with 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, Chairman of the Board. For further details, please refer to the Corporate Governance Report as set out in this annual report.

Auditors

The re-appointment of PricewaterhouseCoopers ("PwC Hong Kong") as the Company's international auditor and the appointment of PricewaterhouseCoopers Zhongtian Certified Public Accountants ("PwC ZT") as the Company's PRC statutory auditor were approved at the AGM.

The remuneration of the auditors in the year 2011 is set out as follows:

	2011		2010	
	Audit fees RMB'000	**Other fees RMB'000**	Audit fees RMB'000	Other fees RMB'000
PwC Hong Kong/PwC ZT	**3,000**	**–**	3,000	–
Shine Wing	**–**	**–**	480	35

The Company will bring up a resolution at the coming annual general meeting to re-appoint the PwC Hong Kong as the Company's international auditor and to re-appoint the PwC ZT as the Company's PRC statutory auditor.

Closure of Register of Members

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

The register of members of the Company will be closed from 22 June 2012 to 29 June 2012, both dates inclusive, during which period no share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholder's approval at the annual general meeting held on 15 June 2012, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for holders of the Company's H Shares) no later than 4:30 pm on 21 June 2012.

Appreciation

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

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

Zhejiang, the PRC
19 March 2012

Supervisors' Report

To the Shareholders,

In the year 2011, the Supervisory Committee, in compliance with the provision of the Company Law, the Listing Rules and the articles of association of the Company, under their fiduciary duties, took an active role to work reasonably and cautiously to protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended all the Board meetings 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 2011 and has great confidence in the future of the Company.

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

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

Zhejiang, the PRC
19 March 2012

Independent Auditor's Report

pwc

羅兵咸永道

TO THE SHAREHOLDERS OF BAOYE GROUP COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Baoye Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 117, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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Independent Auditor's Report (continued)

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 2011, 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, 19 March 2012

Consolidated and Company's Balance Sheets

As at 31 December 2011

		Group		Company	
		As at 31 December		As at 31 December	
		2011	2010	**2011**	2010
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-current assets					
Land use rights	6	**588,262**	556,193	**5,548**	5,778
Property, plant and equipment	7	**960,390**	912,660	**28,730**	30,960
Goodwill	8	**16,534**	16,534	**–**	–
Properties under development	15	**369,129**	–	**–**	–
Investment in subsidiaries	9	**–**	–	**814,453**	820,703
Investment in the jointly controlled entity	10(a)	**8,759**	36,735	**49,000**	49,000
Loan to the jointly controlled entity	10(b)	**189,757**	103,187	**348,184**	243,222
Investment in associates	11	**2,857**	2,555	**–**	–
Available-for-sale financial assets	13	**11,479**	12,849	**–**	–
Deferred income tax assets	28	**192,111**	29,353	**–**	–
		2,339,278	1,670,066	**1,245,915**	1,149,663
Current assets					
Amounts due from subsidiaries	9	**–**	–	**772,866**	365,275
Inventories	14	**143,911**	106,648	**–**	–
Properties under development	15	**2,601,982**	3,202,726	**–**	–
Completed properties held for sale		**620,281**	575,855	**–**	–
Due from customers on construction contracts	16	**1,685,703**	1,494,272	**–**	–
Trade receivables	17	**935,965**	700,404	**–**	–
Other receivables	18	**2,370,499**	1,160,172	**2,417**	15,267
Restricted bank deposits	19	**527,521**	101,269	**250,000**	–
Cash and cash equivalents	20	**1,878,422**	1,947,888	**77,535**	436,322
		10,764,284	9,289,234	**1,102,818**	816,864
Total assets		**13,103,562**	10,959,300	**2,348,733**	1,966,527
EQUITY					
Equity attributable to the owners of the Company					
Share capital	21	**662,964**	662,964	**662,964**	662,964
Share premium	21	**847,295**	847,295	**847,295**	847,295
Reserves	22	**116,831**	100,871	**123,199**	100,990
Retained earnings					
– Proposed final dividend	23, 36	**139,222**	106,074	**139,222**	106,074
– Others	23	**2,604,842**	2,056,077	**299,348**	234,424
		4,371,154	3,773,281	**2,072,028**	1,951,747
Non-controlling interests		**76,556**	56,197	**–**	–
Total equity		**4,447,710**	3,829,478	**2,072,028**	1,951,747

Consolidated and Company's Balance Sheets (continued)

As at 31 December 2011

		Group		Company	
		As at 31 December		As at 31 December	
		2011	2010	**2011**	2010
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	27	**210,000**	70,000	**–**	–
Deferred income tax liabilities	28	**38,910**	46,975	**–**	–
		248,910	116,975	**–**	–
Current liabilities					
Trade payables	24	**1,736,606**	1,177,108	**–**	–
Other payables	25	**1,246,566**	1,105,716	**20,809**	8,884
Receipts in advance	26	**1,737,569**	2,706,300	**–**	–
Current income tax liabilities		**720,420**	463,368	**5,896**	5,896
Due to customers on construction contracts	16	**1,565,881**	1,065,192	**–**	–
Borrowings	27	**1,399,900**	495,163	**250,000**	–
		8,406,942	7,012,847	**276,705**	14,780
Total liabilities		**8,655,852**	7,129,822	**276,705**	14,780
Total equity and liabilities		**13,103,562**	10,959,300	**2,348,733**	1,966,527
Net current assets		**2,357,342**	2,276,387	**826,113**	802,084
Total assets less current liabilities		**4,696,620**	3,946,453	**2,072,028**	1,951,747

The notes on pages 64 to 117 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 19 March 2012 and were signed on its behalf.

Pang Baogen
Director

Gao Jiming
Director

Consolidated Income Statement

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Revenue	5	**16,186,830**	12,055,243
Cost of sales	31	**(14,836,997)**	(11,104,052)
Gross profit		**1,349,833**	951,191
Other income	29	**99,748**	41,593
Other gains – net	30	**44,945**	172,405
Selling and marketing costs	31	**(45,143)**	(34,766)
Administrative expenses	31	**(372,101)**	(318,324)
Operating profit		**1,077,282**	812,099
Finance costs	33	**–**	(35,594)
Share of loss of jointly controlled entity	10(a)	**(27,976)**	(4,034)
Share of gains/(losses) of associates	11	**302**	(299)
Profit before income tax		**1,049,608**	772,172
Income tax expense	34	**(333,765)**	(225,747)
Profit for the year		**715,843**	546,425
Attributable to:			
– Owners of the Company		**710,196**	527,875
– Non-controlling interests		**5,647**	18,550
		715,843	546,425
Earnings per share for profit attributable to the owners of the Company			
– basic and diluted (expressed in RMB per share)	35	**1.071**	0.796
Dividends	36	**139,222**	106,074

The notes on pages 64 to 117 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

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

The notes on pages 64 to 117 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to the owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2010	662,964	847,295	122,527	1,741,861	3,374,647	104,542	3,479,189
Comprehensive income:							
Profit for the year	–	–	–	527,875	527,875	18,550	546,425
Other comprehensive income							
Transfer of reserves to income statement upon sale of revalued properties	–	–	(33,601)	–	(33,601)	–	(33,601)
Change in fair value of available-for-sale financial assets	–	–	4,132	–	4,132	–	4,132
Total comprehensive income for the year	–	–	(29,469)	527,875	498,406	18,550	516,956
Total contributions by and distributions to owners of the Company recognised directly in equity							
Transfer to statutory surplus reserve	–	–	21,400	(21,400)	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	600	600
Dividends	–	–	–	(86,185)	(86,185)	(52,861)	(139,046)
Total contributions by and distributions to owners of the Company	–	–	21,400	(107,585)	(86,185)	(52,261)	(138,446)
Acquisition of additional interest in subsidiaries	–	–	(13,747)	–	(13,747)	(27,075)	(40,822)
Disposal of interest in subsidiaries without loss of control	–	–	160	–	160	12,441	12,601
Total transactions with owners	–	–	7,813	(107,585)	(99,772)	(66,895)	(166,667)
Balance at 31 December 2010	662,964	847,295	100,871	2,162,151	3,773,281	56,197	3,829,478

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2011

	Attributable to the owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011	**662,964**	**847,295**	**100,871**	**2,162,151**	**3,773,281**	**56,197**	**3,829,478**
Comprehensive income:							
Profit for the year	–	–	–	710,196	710,196	5,647	715,843
Other comprehensive income							
Transfer of reserves to income statement upon sale of revalued properties	–	–	(5,221)	–	(5,221)	–	(5,221)
Change in fair value of available-for-sale financial assets	–	–	(1,028)	–	(1,028)	–	(1,028)
Total comprehensive income for the year	–	–	(6,249)	710,196	703,947	5,647	709,594
Total contributions by and distributions to owners of the Company recognised directly in equity							
Transfer to statutory surplus reserve	–	–	22,209	(22,209)	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	21,700	21,700
Dividends	–	–	–	(106,074)	(106,074)	(6,988)	(113,062)
Total contributions by and distributions to owners of the Company	–	–	22,209	(128,283)	(106,074)	14,712	(91,362)
Total transactions with owners	–	–	22,209	(128,283)	(106,074)	14,712	(91,362)
Balance at 31 December 2011	**662,964**	**847,295**	**116,831**	**2,744,064**	**4,371,154**	**76,556**	**4,447,710**

The notes on pages 64 to 117 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	37	**(307,093)**	1,591,397
Interest paid		**(32,873)**	(80,030)
Income tax paid		**(247,194)**	(158,029)
Net cash (used in)/generated from operating activities		**(587,160)**	1,353,338
Cash flows from investing activities			
(Advances of loan to)/repayments of the loan to a jointly controlled entity		**(86,570)**	161,600
Acquisition of additional interest in subsidiaries		**–**	(40,822)
Proceeds from disposal of interest in subsidiaries		**–**	12,601
Proceeds from disposal of subsidiaries		**–**	34,753
Purchase of available-for-sale financial assets		**–**	(1,999)
Purchase of property, plant and equipment		**(170,899)**	(190,334)
Proceeds from sale of property, plant and equipment		**27,291**	103,517
Purchase of land use rights		**(45,083)**	(67,714)
Proceeds from sale of land use rights		**–**	82,728
Interest received		**99,748**	41,593
Net cash (used in)/generated from investing activities		**(175,513)**	135,923
Cash flows from financing activities			
Proceeds from borrowings		**1,820,270**	2,400,000
Repayments of borrowings		**(775,533)**	(3,480,547)
Payments for the restricted bank deposits for borrowings		**(250,000)**	–
Dividends paid to owners of the Company		**(106,074)**	(86,185)
Capital contributions by non-controlling interests		**21,700**	600
Dividends paid to non-controlling interests		**(17,156)**	(52,693)
Net cash generated from/(used in) financing activities		**693,207**	(1,218,825)
Net (decrease)/increase in cash and cash equivalents		**(69,466)**	270,436
Cash and cash equivalents at beginning of the year		**1,947,888**	1,677,452
Cash and cash equivalents at end of the year		**1,878,422**	1,947,888

The notes on pages 64 to 117 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2012.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets	1 July 2011
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKAS 12 (Amendment)	Deferred Tax: Recovery of underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of financial statement	1 July 2012
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

The Group has commenced an assessment of the impact of the new standards, amendments to the standards and interpretations but is not yet in a position to state whether these new standards, amendments to standards and interpretations would have significant impact to the Group's results of operations and financial position.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) under 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 as and when control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in income statement (Note 2.6).

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Separate financial statements*

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

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

(d) *Associates and jointly controlled entities*

Associates are all entities under which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. A jointly controlled entity is an entity which there is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. 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 identified on acquisition, net of any accumulated impairment loss.

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(d) Associates and jointly controlled entities (continued)

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 who make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that 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 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

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

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

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

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

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

2.6 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes which is not higher than operating segment.

2 Summary of significant accounting policies (continued)

2.6 Goodwill (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

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

Impairment testing of the investments in subsidiaries, associates or 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: loans and receivable and available-for-sale. The classification depends on the purposes upon 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 as "other gains – net".

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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured by reference to 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. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2 Summary of significant accounting policies (continued)

2.9 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 their 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 Summary of significant accounting policies (continued)

2.13 Inventories

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

2.14 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

A construction contract is defined as a contract specifically negotiated for construction of an asset. Contract costs are recognised as cost in the period when they are incurred.

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

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. 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.

2 Summary of significant accounting policies (continued)

2.15 Construction contracts (continued)

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

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

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.

2.18 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 costs”) is recognised in the income statement over the period of the borrowings using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

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

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

2 Summary of significant accounting policies (continued)

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.

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 Summary of significant accounting policies (continued)

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, discounts, business taxes and surcharges and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Provision of construction services

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

(b) Sales of building materials

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

(c) Sales of properties

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

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.

(e) *Rental income*

Rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms.

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, retained by lessor are classified as operating leases.

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

(b) ***The Group is the lessor*** – When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised over the term of the lease on a straight-line basis.

2.25 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 or the Board of Directors, as appropriate.

2.26 Financial guarantee

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group for property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rates and regulations of foreign exchange control promulgated by the PRC government.

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 governing regulations in these countries.

There is no written policy to manage this foreign exchange risk. Management monitors the Group's currency exposure on an ongoing basis.

During 2010 and 2011, 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 2011 and 2010 are as follows:

	Group As at 31 December		Company As at 31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Assets				
U.S dollar ("USD")	**55,588**	53,503	**–**	–
Djibouti Franc ("DJF")	**22,279**	32,952	**–**	–
Botswana pula ("BWP")	**7,978**	24,861	**–**	–
Seychelles Rupee ("SCR")	**1,051**	4,733	**–**	–
Other foreign currencies	**1,085**	842	**780**	19
Liabilities				
DJF	**(48,607)**	(51,876)	**–**	–
BWP	**(18,406)**	(23,245)	**–**	–
SCR	**(4,703)**	(6,957)	**–**	–

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
(Decrease)/increase in profit for the year				
– USD	**(2,085)**	(2,548)	**–**	–
– DJF	**987**	901	**–**	–
– BWP	**391**	(77)	**–**	–
– SCR	**137**	106	**–**	–
– Other foreign currencies	**(40)**	(40)	**(29)**	(1)

(ii) Price risk

The Group is exposed to certain raw materials (such as cement and steel) price risk, but does not enter into forward contract to hedge the relative risk. In addition, the Group is also 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 purpose rather than trading purpose. The Group does not actively trade these investments.

As at 31 December 2011, 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 2011, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, the net profit for current year would not change but the properties under development would increase/decrease by RMB4,062,000 as all of the interest expense for the year of 2011 has been capitalised in properties under development.

In addition, the Company also has had interest bearing assets (short-term bank deposits and cash at bank) and borrowings at variable rates. The various interest bearing advances made to the jointly controlled entity are determined at the applicable fixed rate disclosed under Note 10(b) by reference to their prevailing money market rates.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, loan to the 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, loan to the 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

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

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

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

(c) *Liquidity risk*

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) *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 year	Between 1 and 2 years	Between 2 and 5 years	Total	Less than 1 year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011					
Borrowings	**1,399,900**	**70,000**	**140,000**	**1,609,900**	**250,000**
Interest of borrowings	**65,402**	**9,878**	**3,207**	**78,487**	**8,464**
Trade payables	**1,736,606**	**–**	**–**	**1,736,606**	**–**
Other payables (excluding other taxes payables and salaries payables)	**956,742**	**–**	**–**	**956,742**	**4,604**
Financial guarantee	**256,592**	**–**	**–**	**256,592**	**–**
Total	**4,415,242**	**79,878**	**143,207**	**4,638,327**	**263,068**
At 31 December 2010					
Borrowings	495,163	–	70,000	565,163	–
Interest of borrowings	11,696	3,769	392	15,857	–
Trade payables	1,177,108	–	–	1,177,108	–
Other payables (excluding other taxes payables and salaries payables)	882,242	–	–	882,242	4,105
Financial guarantee	373,304	–	–	373,304	–
Total	2,939,513	3,769	70,392	3,013,674	4,105

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

3 Financial risk management (continued)

3.2 Capital risk management

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

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

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

As at 31 December 2011 and 2010, the Group has surplus cash and cash equivalents over borrowings.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's assets that are measured using fair value at 31 December 2011 and 2010.

	As at 31 December 2011			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Available-for-sale financial assets				
– Equity securities	**6,139**	**–**	**5,340**	**11,479**

	As at 31 December 2010			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
– Equity securities	7,509	–	5,340	12,849

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

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

There were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications during the year ended 31 December 2011. In addition, there were no significant changes in level 3 instruments for the year ended 31 December 2011 and 2010.

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.

4 Critical accounting estimates and judgements (continued)

(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% (2010: 10%), the revenue will be reduced by RMB51,756,000 (2010: RMB49,012,000) or increased by RMB52,206,000 (2010: RMB49,521,000).

(b) Income taxes and deferred taxation

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

(c) Estimated impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgements and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and impairment of receivables in the years in which such estimates have been changed.

4 Critical accounting estimates and judgements (continued)

(d) Property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is made based on management's experience in operating environment and the conditions of the property, plant and equipment. It could change significantly as a result of actual use and improvements. Management will increase the depreciation charges where useful lives are shorter than previously estimated lives, or they will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Management determines the residual values of its property, plant and equipment based on all relevant factors (including the use of the current scrap value in an active market as a reference value) at each measurement date.

5 Segment information

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

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

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

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

The executive directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes financial costs and share of results of associates and jointly controlled entity from the operating segments. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the financial statements. At the Group level no segment assets and segment liabilities are provided to the executive directors.

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

5 Segment information (continued)

The segment information is as follows:

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

	Year ended 31 December 2010				
	Construction	Property development	Building materials	Others	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total revenue	10,103,707	912,505	1,632,048	129,819	12,778,079
Inter-segment revenue	(568,757)	–	(143,139)	(10,940)	(722,836)
Revenue (from external customers)	9,534,950	912,505	1,488,909	118,879	12,055,243
Operating profit	357,285	364,452	76,885	13,477	812,099
Depreciation	32,963	2,668	43,803	17,278	96,712
Amortisation	7,016	–	3,058	2,522	12,596
Impairment of receivables	2,420	(61)	(1,190)	(34)	1,135
Share of loss of jointly controlled entity	–	4,034	–	–	4,034
Share of (gains)/losses of associates	–	387	(88)	–	299
Income tax expense	58,059	144,890	19,076	3,722	225,747

5 Segment information (continued)

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

The Company is domiciled in the PRC. The Group's business activities were mainly carried out in the PRC where the vast majority of the Group's assets are located.

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

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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Opening net book amount	**556,193**	529,264	**5,778**	10,016
Additions	**45,083**	67,714	**–**	–
Disposals	**–**	(17,533)	**–**	(3,947)
Disposals of subsidiaries	**–**	(10,656)	**–**	–
Amortisation	**(13,014)**	(12,596)	**(230)**	(291)
End of the year	**588,262**	556,193	**5,548**	5,778

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Outside Hong Kong, held on:				
Leases of over 50 years	**166,853**	157,649	**–**	–
Leases of between 10 to 50 years	**421,409**	398,544	**5,548**	5,778
	588,262	556,193	**5,548**	5,778

As at 31 December 2011, total net book value of land use rights pledged as collateral for the Group's bank borrowings amounted to RMB95,915,000 (2010: RMB12,156,000) (Note 27(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 2010						
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
Year ended 31 December 2010						
Opening net book amount	538,996	200,783	32,815	10,697	119,405	902,696
Additions	34,432	32,832	14,847	15,288	95,099	192,498
Transfer	100,390	58,060	–	–	(158,450)	–
Disposals	(38,794)	(46,456)	(556)	(16)	–	(85,822)
Depreciation charge	(42,203)	(34,216)	(11,075)	(9,218)	–	(96,712)
Closing net book amount	592,821	211,003	36,031	16,751	56,054	912,660
At 31 December 2010						
Cost	849,711	333,382	112,950	136,913	56,054	1,489,010
Accumulated depreciation	(256,890)	(122,379)	(76,919)	(120,162)	–	(576,350)
Net book amount	592,821	211,003	36,031	16,751	56,054	912,660
Year ended 31 December 2011						
Opening net book amount	**592,821**	**211,003**	**36,031**	**16,751**	**56,054**	**912,660**
Additions	**38,530**	**22,525**	**17,799**	**15,312**	**76,733**	**170,899**
Transfer	**65,554**	**11,201**	**–**	**–**	**(76,755)**	**–**
Disposals	**(9,848)**	**(3,100)**	**(1,508)**	**(143)**	**–**	**(14,599)**
Depreciation charge	**(45,157)**	**(35,450)**	**(15,019)**	**(12,944)**	**–**	**(108,570)**
Closing net book amount	**641,900**	**206,179**	**37,303**	**18,976**	**56,032**	**960,390**
At 31 December 2011						
Cost	**902,883**	**364,858**	**117,700**	**175,609**	**56,032**	**1,617,082**
Accumulated depreciation	**(260,983)**	**(158,679)**	**(80,397)**	**(156,633)**	**–**	**(656,692)**
Net book amount	**641,900**	**206,179**	**37,303**	**18,976**	**56,032**	**960,390**

Depreciation expenses of RMB56,444,000 (2010: RMB49,729,000) and RMB52,126,000 (2010: RMB46,983,000) has been expensed in cost of sales and administrative expenses, respectively.

As at 31 December 2011, total net book value of property, plant and equipment pledged as collateral for the Group's bank borrowings amounted to RMB47,227,000 (2010: Nil) (Note 27(a)).

7 Property, plant and equipment (continued)

Company

	Buildings RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
At 1 January 2010				
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
Year ended 31 December 2010				
Opening net book amount	34,120	614	723	35,457
Additions	2,786	–	4,335	7,121
Disposals	(7,990)	–	–	(7,990)
Depreciation charge	(1,494)	(231)	(1,903)	(3,628)
Closing net book amount	27,422	383	3,155	30,960
At 31 December 2010				
Cost	33,464	5,964	6,031	45,459
Accumulated depreciation	(6,042)	(5,581)	(2,876)	(14,499)
Net book amount	27,422	383	3,155	30,960
Year ended 31 December 2011				
Opening net book amount	**27,422**	**383**	**3,155**	**30,960**
Additions	**–**	**–**	**1,241**	**1,241**
Disposals	**–**	**–**	**(46)**	**(46)**
Depreciation charge	**(1,532)**	**(84)**	**(1,809)**	**(3,425)**
Closing net book amount	**25,890**	**299**	**2,541**	**28,730**
At 31 December 2011				
Cost	**33,464**	**5,964**	**6,328**	**45,756**
Accumulated depreciation	**(7,574)**	**(5,665)**	**(3,787)**	**(17,026)**
Net book amount	**25,890**	**299**	**2,541**	**28,730**

Depreciation expenses of RMB3,425,000 (2010: RMB3,628,000) has been expensed in administrative expenses.

8 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, of which the gross margin is 31%. The discount rate used is a pre-tax rate and reflects specific risks relating to the real estate projects developed by Hefei Baoye Real Estate, which is approximate 16%. The growth rate is assumed to be zero. There is no reasonable change to the assumptions would lead to an impairment charge. Based on the impairment test on the goodwill associated with Hefei Baoye Real Estate performed on 31 December 2011, no impairment provision is required.

9 Investment in and balances with subsidiaries

	Company	
	2011	2010
	RMB'000	RMB'000
Investments at cost, unlisted	**814,453**	820,703
Amounts due from subsidiaries	**772,866**	365,275

The amounts due from subsidiaries are unsecured, interest free and are repayable on demand. As at 31 December 2011, the amounts due from subsidiaries are not impaired.

The following is a list of the principal subsidiaries as at 31 December 2011, 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		Registered capital	Principal activities
	Directly	Indirectly	RMB'000	
浙江寶業建設集團有限公司 Zhejiang Baoye Construction Group Co., Ltd.	99%	–	360,000	Construction and construction related business
浙江寶業幕牆裝飾有限公司 Zhejiang Baoye Curtain Wall Decoration Co., Ltd.	83.1%	–	50,800	Manufacture and installation of curtain wall and steel framework

9 Investment in and balances with subsidiaries (continued)

Name	Attributable equity interest held		Registered capital	Principal activities
	Directly	Indirectly	RMB'000	
浙江寶業交通建設工程有限公司 Zhejiang Baoye Infrastructure Construction Co., Ltd.	25%	74.3%	80,000	Construction of highway, bridge and other municipal infrastructure
浙江廣藝建築裝飾工程有限公司 Zhejiang Guangyi Construction and Decoration Co., Ltd.	100%	–	50,000	Decoration and replenishment
浙江寶業房地產集團有限公司 Zhejiang Baoye Real Estate Group Co., Ltd.	90%	9.9%	50,000	Development and sales of properties
紹興寶業四季園房地產有限公司 Shaoxing Baoye Four Seasons Garden Real Estate Co., Ltd.	100%	–	100,000	Development and sales of properties
浙江寶業住宅產業化有限公司 Zhejiang Baoye Building Materials Industrialisation Co., Ltd.	40%	59.4%	53,600	Production and sales of concrete and construction materials
浙江寶業木製品有限公司 Zhejiang Baoye Woodwork Co., Ltd	40%	59.4%	31,514	Production and sales of steel, wood fireproof doors, and other wooden products
紹興寶業新型建材有限公司 Shaoxing Baoye New Building Materials Co., Ltd.	–	99.4%	5,000	Production and sales of construction materials
上海紫寶房地產開發有限公司 Shanghai Zibao Real Estate Development Co., Ltd.	–	99.9%	18,000	Development and sales of properties
紹興市華欣預拌混凝土有限公司 Shaoxing Huaxin Pre-mix Commodity Concrete Co., Ltd.	100%	–	20,000	Production and sales of concrete and construction materials

9 Investment in and balances with subsidiaries (continued)

Name	Attributable equity interest held		Registered capital	Principal activities
	Directly	Indirectly	RMB'000	
浙江寶業鋼結構有限公司 Zhejiang Baoye Steel Structure Co., Ltd.	95%	4.95%	20,000	Production, design and sales of steel structure products
安徽寶業住宅產業化公司 Anhui Baoye Building Materials Industrialisation Co., Ltd.	–	100%	60,000	Production and sales of concrete and construction materials
合肥寶業混凝土有限公司 Hefei Baoye Concrete Co., Ltd.	–	100%	12,500	Production and sales of concrete and construction materials
合肥寶業房地產有限公司 Hefei Baoye Real Estate Co., Ltd.	–	100%	30,000	Development and sales of properties
安徽華騰投資有限公司 Anhui Huateng Investment Co., Ltd.	–	75%	20,000	Development and sales of properties
寶業湖北建工集團有限公司 Baoye Hubei Construction Engineering Group Co., Ltd.	–	99.9%	110,000	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.	–	99.9%	50,800	Construction and construction related business
湖北省建工第五建設有限公司 Hubei Construction Engineering No.5 Co., Ltd.	–	99.9%	110,000	Construction and construction related business
湖北省建工工業設備安裝有限公司 Hubei Industrial Equipment Installation Co., Ltd.	–	99.9%	50,190	Installation of industrial equipment
湖北省建工機械施工有限公司 Hubei Engineering Machinery Construction Co., Ltd.	–	99.9%	20,000	Provision of construction services

Notes to the Consolidated Financial Statements (continued)

9 Investment in and balances with subsidiaries (continued)

Name	Attributable equity interest held Directly	Indirectly	Registered capital RMB'000	Principal activities
湖北省建工混凝土製品有限公司 Hubei Construction Engineering Concrete Products Co., Ltd.	–	99.9%	20,080	Production and sales of concrete and construction materials
湖北省建工房地產開發有限公司 Hubei Construction Engineering Real Estate Development Co., Ltd.	–	99.9%	20,000	Development and sales of properties
湖北省建工物資貿易有限公司 Hubei Construction Engineering Material Trading Co., Ltd.	–	99.9%	18,300	Provision of leasing services
安徽金糧置業有限公司 Anhui Jinliang Real Estate Company Limited	–	100%	172,000	Development and sales of properties
紹興寶業會稽山國際度假村有限公司 Shaoxing Baoye Kuaiji Mountain International Vocation Village Co., Ltd.	100%	–	80,000	Development and management of vacation village
合肥中寶機械製造有限公司 Hefei Zhongbao Machinery Manufacture Co., Ltd.	–	100%	20,000	Production and sales of machinery and fittings
浙江寶業建築設計研究院有限公司 Zhejiang Baoye Construction Design Research Institute Co., Ltd.	–	99%	6,000	Provision of architectural and interior design service
寶業集團浙江建設產業研究院有限公司 Baoye Group Zhejiang Construction Industry Research Institute Co., Ltd.	20%	79.2%	10,000	Construction technology research and development

10 Investment in and loan to the jointly controlled entity

(a) Investment in the jointly controlled entity

Group

The Group has a 49% equity interest in the 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 investment is as follows:

	Investment cost RMB'000	Share of loss RMB'000	Total RMB'000
As at 1 January 2010	49,000	(8,231)	40,769
Addition	–	(4,034)	(4,034)
As at 31 December 2010	**49,000**	**(12,265)**	**36,735**
Addition	**–**	**(27,976)**	**(27,976)**
As at 31 December 2011	**49,000**	**(40,241)**	**8,759**

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

	2011 RMB'000	2010 RMB'000
Assets		
Non-current assets	**22,912**	7,463
Current assets	**293,497**	957,552
	316,409	965,015
Liabilities		
Non-current liabilities	**273,057**	414,827
Current liabilities	**34,593**	513,453
	307,650	928,280
Net assets	**8,759**	36,735
Revenue	**304,513**	–
Cost	**(337,629)**	–
Expense	**(4,185)**	(5,379)
Income tax credit	**9,325**	1,345
Loss after income tax	**(27,976)**	(4,034)

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

10 Investment in and loan to the jointly controlled entity (continued)

(a) Investment in the jointly controlled entity (continued)

Company

	2011 RMB'000	2010 RMB'000
Investments at cost, unlisted	**49,000**	49,000

(b) Loan to the jointly controlled entity

	Group RMB'000	Company RMB'000
As at 1 January 2010	264,787	386,532
Repayment	(161,600)	(161,600)
Interest accrued	–	18,290
As at 31 December 2010	**103,187**	**243,222**
Addition	**86,570**	**86,570**
Interest accrued	**–**	**18,392**
As at 31 December 2011	**189,757**	**348,184**

The Group and the joint venture partner made various advances to SGB in proportion to their respective shareholding. These advances are unsecured, interest bearing at 7.34% per annum in 2011 with no fixed terms of repayment (2010: 10.98%).

During the year, interest occurred on the various advances amounted to RMB18,392,000 (2010: RMB18,290,000) was fully capitalised in properties under development by SGB in its own separate financial statements. Such interest income has been eliminated in the Group's consolidated financial statements.

11 Investment in associates – Group

	2011 RMB'000	2010 RMB'000
Beginning of the year	**2,555**	29,378
Return of investment cost	**–**	(26,524)
Share of gains/(losses)	**302**	(299)
End of the year	**2,857**	2,555

11 Investment in associates – Group (continued)

All the associates of the Company are unlisted limited liability companies incorporated in the PRC as follows:

Name	% Interest held
湖北建工置業有限公司 Hubei Construction Engineering Land Co., Ltd.	34%
武漢現代住宅開發有限公司 Wuhan Modern Real Estate Development Co., Ltd.	30%
湖北寶業幕牆門窗工程有限公司 Hubei Baoye Curtain Wall Engineering Co., Ltd.	20%

12 Financial instruments by category

		Group		Company
	Notes	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Loans and receivables RMB'000
Assets				
At 31 December 2011				
Available-for-sale financial assets	13	**–**	**11,479**	**–**
Trade receivables	17	**935,965**	**–**	**–**
Other receivables (excluding prepayments)	18	**1,183,953**	**–**	**2,417**
Amounts due from subsidiaries	9	**–**	**–**	**772,866**
Loan to the jointly controlled entity	10(b)	**189,757**	**–**	**348,184**
Restricted bank deposits	19	**527,521**	**–**	**–**
Cash and cash equivalents	20	**1,878,422**	**–**	**77,535**
Total		**4,715,618**	**11,479**	**1,201,002**
At 31 December 2010				
Available-for-sale financial assets	13	–	12,849	–
Trade receivables	17	700,404	–	–
Other receivables (excluding prepayments)	18	1,054,007	–	15,267
Amounts due from subsidiaries	9	–	–	365,275
Loan to the jointly controlled entity	10(b)	103,187	–	243,222
Restricted bank deposits	19	101,269	–	–
Cash and cash equivalents	20	1,947,888	–	436,322
Total		3,906,755	12,849	1,060,086

12 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 2011			
Trade payables	24	**1,736,606**	**–**
Other payables and accruals (excluding other tax payables and salaries payables)	25	**956,742**	**4,604**
Borrowings	27	**1,609,900**	**–**
Total		**4,303,248**	**4,604**
At 31 December 2010			
Trade payables	24	1,177,108	–
Other payables and accruals (excluding other tax payables and salaries payables)	25	882,242	4,105
Borrowings	27	565,163	–
Total		2,624,513	4,105

13 Available-for-sale financial assets – Group

	2011 RMB'000	2010 RMB'000
Beginning of the year	**12,849**	5,340
Additions	**–**	1,999
Net (losses)/gains recognised in other comprehensive income	**(1,370)**	5,510
End of the year	**11,479**	12,849

Available-for-sale financial assets include the following:

	2011 RMB'000	2010 RMB'000
Listed securities:		
– Equity securities – the PRC, at market value	**6,139**	7,509
Unlisted securities:		
– Equity securities – the PRC	**5,340**	5,340
	11,479	12,849

14 Inventories – Group

	2011 RMB'000	2010 RMB'000
At cost:		
Raw materials	**71,013**	65,840
Work in progress	**31,110**	14,775
Finished goods	**41,788**	26,033
	143,911	106,648

The cost of inventories recognised as cost of sales amounted to RMB1,297,494,000 (2010: RMB1,255,422,000). No inventory provision was made as at 31 December 2011 and 2010.

15 Properties under development

	Group	
	2011 RMB'000	2010 RMB'000
Land use rights	**2,070,908**	2,247,331
Development costs	**787,867**	817,126
Finance costs capitalised	**112,336**	138,269
	2,971,111	3,202,726

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

	Group	
	2011 RMB'000	2010 RMB'000
Non-current – To be completed over one year	**369,129**	–
Current:		
To be completed over one year	**1,130,879**	2,207,305
To be completed within one year	**1,471,103**	995,421
	2,601,982	3,202,726
	2,971,111	3,202,726

As at 31 December 2011, total carrying value of properties under development pledged as security for the Group's bank borrowings amounted to RMB524,579,000 (2010: RMB877,132,000) (Note 27(a)).

15 Properties under development (continued)

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

	Group	
	2011	2010
	RMB'000	RMB'000
Outside Hong Kong, held on:		
Leases of over 50 years	**1,480,803**	1,685,524
Leases of between 10 to 50 years	**590,105**	561,807
	2,070,908	2,247,331

16 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:

	2011	2010
	RMB'000	RMB'000
Contract costs incurred plus recognised profits		
(less recognised losses) to date	**40,534,486**	34,390,752
Less: progress billings to date	**(40,414,664)**	(33,961,672)
	119,822	429,080
Represented by:		
Due from customers on construction contracts	**1,685,703**	1,494,272
Due to customers on construction contracts	**(1,565,881)**	(1,065,192)
	119,822	429,080

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 2011, retentions and project deposits held by customers for contract work included in other receivables of the Group amounted to RMB883,578,000 (2010: RMB747,204,000) (Note 18).

17 Trade receivables – Group

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

Customers are generally granted credit terms of 1 to 3 months for construction business, 1 to 12 months for building materials business and no credit terms for property development business. The net book value of trade receivables approximates their fair value. As at 31 December 2011, the ageing analysis of the trade receivables is as follows:

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

Trade receivables that are less than 12 months past due are not considered impaired. As of 31 December 2011, trade receivables of RMB142,803,000 (2010: RMB162,162,000) 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:

	2011 RMB'000	2010 RMB'000
1 to 2 years	**73,083**	74,743
2 to 3 years	**45,664**	51,105
Over 3 years	**24,056**	36,314
	142,803	162,162

17 Trade receivables – Group (continued)

As of 31 December 2011, trade receivables of RMB46,576,000 (2010: RMB30,552,000) were impaired. The amount of the provision was RMB36,409,000 as of 31 December 2011 (2010: RMB24,665,000). The individually impaired receivables mainly relate to customers which are in unexpected difficult financial situations. It is estimated that a portion of these receivables is expected to be recoverable. The ageing of these receivables is as follows:

	2011 RMB'000	2010 RMB'000
1 to 2 years	**2,429**	3,881
2 to 3 years	**18,838**	11,205
Over 3 years	**25,309**	15,466
	46,576	30,552

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

	2011 RMB'000	2010 RMB'000
At 1 January	**24,665**	23,530
Creation of provision	**11,744**	1,135
At 31 December	**36,409**	24,665

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

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

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	2011 RMB'000	2010 RMB'000
Denominated in:		
– USD	**41,171**	40,783
– DJF	**–**	7,870
	41,171	48,653

18 Other receivables

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Retention money and project deposits	**883,578**	747,204	**–**	–
Prepayments for the land use rights for properties development	**1,108,480**	–	**–**	–
Prepayments for others	**78,066**	106,165	**–**	–
Others	**300,375**	306,803	**2,417**	15,267
	2,370,499	1,160,172	**2,417**	15,267

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

The carrying amounts of the group's other receivables are denominated in the following currencies:

	2011	2010
	RMB'000	RMB'000
Denominated in:		
– DJF	**1,009**	9,313
– BWP	**2,324**	2,532
– SCR	**80**	798
	3,413	12,643

19 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.

In addition, as at 31 December 2011, the total net book value of restricted bank deposits pledged as collateral for the Group's bank borrowings amounted to RMB250,000,000 (2010: Nil).

20 Cash and cash equivalents

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**2,100,844**	1,958,843	**77,535**	436,322
Bank deposits	**305,099**	90,314	**250,000**	–
	2,405,943	2,049,157	**327,535**	436,322
Denominated in:				
– RMB	**2,362,546**	1,993,562	**326,755**	436,303
– USD	**14,417**	12,720	**–**	–
– DJF	**21,270**	15,769	**–**	–
– BWP	**5,654**	22,329	**–**	–
– SCR	**971**	3,935	**–**	–
– Other currencies	**1,085**	842	**780**	19
	2,405,943	2,049,157	**327,535**	436,322
Less: Restricted bank deposits (Note 19)	**(527,521)**	(101,269)	**(250,000)**	–
	1,878,422	1,947,888	**77,535**	436,322

The effective interest rate as at 31 December 2011 of the short-term bank deposits of the Group is 1.45% (2010: 1.84%), and these deposits have had original maturities of three months or less.

21 Share capital and premium

	Ordinary shares	Share premium	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2010, 31 December 2010 and 2011	662,964	847,295	1,510,259

As at 31 December 2011, the total authorised number of ordinary shares is 662,964,005 shares (2010: 662,964,005 shares) with a par value of RMB1.00 per share (2010: RMB1.00 per share). All issued shares are fully paid.

22 Reserves

Group

	Assets revaluation reserve RMB'000 (Note (a))	Available-for-sale financial assets reserve RMB'000	Statutory surplus reserve RMB'000 (Note (b))	Others RMB'000	Total RMB'000
Balance at 1 January 2010	42,937	–	79,590	–	122,527
Appropriation from retained earnings	–	–	21,400	–	21,400
Transfer of reserves to income statement upon sale of revaluated properties	(33,601)	–	–	–	(33,601)
Revaluation of available-for-sale financial assets (Note 13)	–	5,510	–	–	5,510
Revaluation – tax (Note 28)	–	(1,378)	–	–	(1,378)
Transactions with non-controlling interests	–	–	–	(13,587)	(13,587)
Balance at 31 December 2010	9,336	4,132	100,990	(13,587)	100,871
Balance at 1 January 2011	**9,336**	**4,132**	**100,990**	**(13,587)**	**100,871**
Appropriation from retained earnings	**–**	**–**	**22,209**	**–**	**22,209**
Transfer of reserves to income statement upon sale of revaluated properties	**(5,221)**	**–**	**–**	**–**	**(5,221)**
Revaluation of available-for-sale financial assets (Note 13)	**–**	**(1,370)**	**–**	**–**	**(1,370)**
Revaluation – tax (Note 28)	**–**	**342**	**–**	**–**	**342**
Balance at 31 December 2011	**4,115**	**3,104**	**123,199**	**(13,587)**	**116,831**

22 Reserves (continued)

Company

	Statutory surplus reserve (Note (b))	
	2011	2010
	RMB'000	RMB'000
Balance at 1 January	**100,990**	79,590
Appropriation from retained earnings	**22,209**	21,400
Balance at 31 December	**123,199**	100,990

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.

23 Retained earnings

	Group	Company
	RMB'000	RMB'000
At 1 January 2010	1,741,861	243,708
Profit for the year	527,875	204,375
Dividends paid	(86,185)	(86,185)
Transfer to statutory surplus reserve	(21,400)	(21,400)
At 31 December 2010	2,162,151	340,498
At 1 January 2011	**2,162,151**	**340,498**
Profit for the year	**710,196**	**226,355**
Dividends paid	**(106,074)**	**(106,074)**
Transfer to statutory surplus reserve	**(22,209)**	**(22,209)**
At 31 December 2011	**2,744,064**	**438,570**

As at 31 December 2011, included in retained earnings, RMB270,812,000 is surplus reserve of the subsidiaries attributable to the Company (31 December 2010: RMB216,452,000), of which RMB54,360,000 is appropriated for the current year (2010: RMB18,938,000).

24 Trade payables – Group

As at 31 December 2011, the ageing analysis of the trade payables is as follows:

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

25 Other payables

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Deposits from project managers	**547,718**	389,688	**–**	–
Other taxes payables	**212,409**	144,901	**16,205**	4,779
Accruals	**5,377**	28,919	**–**	–
Salaries payables	**77,415**	78,573	**–**	–
Others	**403,647**	463,635	**4,604**	4,105
	1,246,566	1,105,716	**20,809**	8,884

26 Receipts in advance

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

27 Borrowings

	Group	
	2011 RMB'000	2010 RMB'000
Non-current liabilities		
Long-term bank borrowings		
– Secured (Note (a))	**140,000**	–
– Guarantee by the companies within the Group	**70,000**	70,000
	210,000	70,000
Current liabilities		
Short-term bank borrowings		
– Secured (Note (a))	**365,000**	235,000
– Unsecured with guarantee (Note (b))	**350,000**	160,000
– Guarantee by the companies within the Group	**684,900**	100,163
	1,399,900	495,163
	1,609,900	565,163

27 Borrowings (continued)

Notes:

(a) As at 31 December 2011, the secured bank borrowings of the Group were secured by:

	Group	
	2011	2010
	RMB'000	RMB'000
Land use rights	**95,915**	12,156
Property, plant and equipment	**47,227**	–
Properties under development	**524,579**	877,132
Restricted bank deposits	**250,000**	–
	917,721	889,288

(b) These loans are guaranteed by:

	Group	
	2011	2010
	RMB'000	RMB'000
Mr. Pang Baogen and the Company (jointly)	**350,000**	160,000

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

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

The borrowings are repayable as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Within 1 year	**1,399,900**	495,163
Between 1 and 2 years	**70,000**	–
Between 2 and 5 years	**140,000**	70,000
	1,609,900	565,163

The weighted average effective interest rates were as follows:

	Group	
	2011	2010
Bank borrowings	**6.19%**	5.43%

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

28 Deferred income tax – Group

The amounts shown in the balance sheet include the following:

	2011 RMB'000	2010 RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**173,820**	16,017
– Deferred tax assets to be recovered within 12 months	**18,291**	13,336
	192,111	29,353
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**(23,667)**	(27,114)
– Deferred tax liabilities to be settled within 12 months	**(15,243)**	(19,861)
	(38,910)	(46,975)
Deferred tax assets/(liabilities)	**153,201**	(17,622)

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

Deferred tax assets

	Provision for receivables impairment RMB'000	Unrealised profit resulting from intragroup transactions RMB'000	Total RMB'000
At 1 January 2010	10,072	21,373	31,445
Recognised in the income statement	(940)	(1,152)	(2,092)
At 31 December 2010	**9,132**	**20,221**	**29,353**
Recognised in the income statement	**5,342**	**157,416**	**162,758**
At 31 December 2011	**14,474**	**177,637**	**192,111**

28 Deferred income tax – Group (continued)

Deferred tax liabilities

	Fair value gain on available-for-sale financial assets RMB'000	Fair value adjustment on assets upon acquisition RMB'000	Interest capitalised RMB'000	Total RMB'000
At 1 January 2010	–	(49,395)	(14,677)	(64,072)
Recognised in the income statement	–	24,697	(6,222)	18,475
Recognised in other comprehensive income	(1,378)	–	–	(1,378)
At 31 December 2010	**(1,378)**	**(24,698)**	**(20,899)**	**(46,975)**
Recognised in the income statement	**–**	**4,313**	**3,410**	**7,723**
Recognised in other comprehensive income	**342**	**–**	**–**	**342**
At 31 December 2011	**(1,036)**	**(20,385)**	**(17,489)**	**(38,910)**

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 RMB749,770,000 (2010: RMB829,073,000) that can be carried forward against future taxable income. These tax losses will expire at various dates up to and including 2016 (2010: 2015).

29 Other income

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

30 Other gains – net

	2011 RMB'000	2010 RMB'000
Gains on disposals of land use rights	**–**	65,195
Government compensation	**22,342**	49,547
Gains on disposals of subsidiaries	**–**	24,097
Gains on disposals of property, plant and equipment	**12,692**	17,695
Gains on settlement of the long aging payables	**6,218**	7,477
Others	**3,693**	8,394
	44,945	172,405

31 Expenses by nature

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

	2011 RMB'000	2010 RMB'000
Depreciation of property, plant and equipment (Note 7)	**108,570**	96,712
Amortisation of land use rights (Note 6)	**13,014**	12,596
Employee benefit expenses (Note 32)	**2,553,662**	1,942,642
Cost of construction contracts	**9,226,801**	7,374,980
Cost of properties sold	**1,840,681**	581,104
Cost of inventories sold	**1,297,494**	1,255,422
Operating leases of buildings	**9,339**	7,527
Auditors' remuneration	**3,000**	3,000
Others	**201,680**	183,159
	15,254,241	11,457,142

32 Employee benefit expenses

	2011 RMB'000	2010 RMB'000
Wages and salaries	**2,503,976**	1,909,130
Welfare, medical and other expenses	**35,159**	22,748
Retirement benefit costs – defined contribution plans (Note (a))	**14,527**	10,764
	2,553,662	1,942,642

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% (2010: 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.

32 Employee benefit expenses (continued)

(b) Directors' and supervisors' emoluments

The remuneration of each director and supervisor for the year ended 31 December 2011 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	–	900	4	904
Mr. Gao Lin	–	900	4	904
Mr. Gao Jiming	–	650	4	654
Mr. Gao Jun (Note (a))	–	350	9	359
Mr. Wang Rongfu (Note (b))	–	350	4	354
Mr. Jin Jixiang (Note (a))	–	350	4	354
Mr. Zhou Hanwan (Note (b))	–	250	4	254
Mr. Hu Shaozeng (Note (b))	20	–	–	20
Mr. Wang Youwei (Note (b))	20	–	–	20
Mr. Yi Deqing (Note (b))	20	–	–	20
Mr. Chan Yin Ming, Dennis	180	–	–	180
Mr. Wang Youqing	50	–	–	50
Mr. Zhao Rulong (Note (a))	25	–	–	25
Mr. Fung Ching, Simon (Note (a))	105	–	–	105
Mr. Kong Xiangquan	–	549	4	553
Mr. Qian Yongjiang	–	547	4	551
Mr. Yuan Ajin	50	–	–	50
Mr. Zhang Xindao	50	–	–	50
Mr. Li Yongsheng	50	–	–	50
	570	4,846	41	5,457

The remuneration of each director and supervisor for the year ended 31 December 2010 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	4	804
Mr. Gao Lin	–	800	4	804
Mr. Gao Jiming	–	500	4	504
Mr. Zhou Hanwan	–	500	4	504
Mr. Wang Rongfu	–	689	4	693
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 (Note (b))	19	–	–	19
Mr. Wang Youqing (Note (a))	19	–	–	19
Mr. Kong Xiangquan	–	428	4	432
Mr. Qian Yongjiang	–	439	4	443
Mr. Chen Xingquan (Note (b))	10	–	–	10
Mr. Yuan Ajin (Note (a))	10	–	–	10
Mr. Zhang Xindao	20	–	–	20
Mr. Li Yongsheng	20	–	–	20
	392	4,156	28	4,576

32 Employee benefit expenses (continued)

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

Notes:

(a) During the year ended 31 December 2011, Mr. Gao Jun and Mr. Jin Jixiang were appointed as executive directors, and Mr. Zhao Rulong and Mr. Fung Ching, Simon were appointed as independent non-executive director and non-executive director of the Company, respectively. During the year ended 31 December 2010, Mr. Wang Youqing and Mr. Yuan Ajin were appointed as independent non-executive director and supervisor of the Company, respectively.

(b) During the year ended 31 December 2011, Mr. Zhou Hanwan and Mr. Wang Rongfu resigned from their position as executive directors, and Mr. Hu Shaozeng, Mr. Wang Youwei, and Mr. Yi Deqing resigned from their position as independent non-executive directors. During the year ended 31 December 2010, Mr. Sun Chuanlin and Mr. Chen Xingquan resigned from their position as independent non-executive director and supervisor, respectively.

During the years ended 31 December 2011 and 2010, 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 2011 and 2010.

(c) Five highest paid individuals

For the year of 2011, the 5 individuals whose emoluments were the highest in the Group for the year included 3 directors (2010: 5) and 2 supervisors (2010: Nil) whose emoluments are reflected in the analysis presented above.

33 Finance costs

	2011 RMB'000	2010 RMB'000
Interest on borrowings wholly repayable within five years	**32,873**	80,030
Less: interest capitalised in construction in progress	**–**	(2,164)
Less: interest capitalised in properties under development	**(32,873)**	(42,272)
	–	35,594

The capitalisation rate applied to funds borrowed generally and used for the development of properties (2010: development of properties and construction in progress) was approximately 6.1% (2010: 5.2%) per annum.

34 Income tax expense

(a) Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the year (2010: Nil).

(b) PRC Corporate Income Tax

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

The Company and its subsidiaries are subject to CIT at a rate of 25% (2010: 25%).

34 Income tax expense (continued)

(c) PRC land appreciation tax

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

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

	2011 RMB'000	2010 RMB'000
Current income tax		
– PRC CIT	**288,069**	168,113
– PRC land appreciation tax	**216,177**	74,017
Deferred income tax, net (Note 28)		
– PRC CIT	**(64,824)**	(16,383)
– PRC land appreciation tax	**(105,657)**	–
	333,765	225,747

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:

	2011 RMB'000	2010 RMB'000
Profit before income tax	**1,049,608**	772,172
Add: share of (gains)/losses of associates	**(302)**	299
share of loss of jointly controlled entity	**27,976**	4,034
	1,077,282	776,505
Calculated at a tax rate of 25% (2010: 25%)	**269,321**	194,126
Income not subject to tax	**(5,139)**	(237)
Expenses not deductible for tax purposes	**1,435**	1,283
Unrecognised tax losses	**9,241**	8,265
Utilisation of previously unrecognised tax losses	**(23,983)**	(33,203)
PRC land appreciation tax deductible for PRC corporate income tax purpose	**(27,630)**	(18,504)
	223,245	151,730
PRC land appreciation tax	**110,520**	74,017
Income tax expense	**333,765**	225,747

35 Earnings per share

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

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

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

36 Dividends

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

The board of directors recommend the payment of a final dividend of RMB0.21 (2010: RMB0.16) per ordinary share, totalling RMB139,222,000 (2010: RMB106,074,000). Such dividend is subject to the approval by the shareholders of the Company at the Annual General Meeting scheduled to be held on 15 June 2012. These financial statements do not reflect this dividend payable. The final dividend of RMB106,074,000 (RMB0.16 per ordinary share) for 2010 and RMB86,185,000 (RMB0.13 per ordinary share) for 2009 was paid in 2011 and 2010, respectively.

37 Cash generated from operations

	2011 RMB'000	2010 RMB'000
Profit for the year	**715,843**	546,425
Adjustments for:		
Income tax expense (Note 34)	**333,765**	225,747
Depreciation (Note 7)	**108,570**	96,712
Amortisation of land use rights (Note 6)	**13,014**	12,596
Gains on disposals of property, plant and equipment (Note 30)	**(12,692)**	(17,695)
Gains on disposals of land use rights	**–**	(65,195)
Transfer of reserve to income statement upon sales of revaluated properties	**(5,221)**	(33,601)
Gains on disposals of subsidiaries	**–**	(24,097)
Interest income	**(99,748)**	(41,593)
Finance costs (Note 33)	**–**	35,594
Share of (gains)/losses from associates (Note 11)	**(302)**	299
Share of loss from jointly controlled entity (Note 10)	**27,976**	4,034
Changes in working capital:		
Decrease/(Increase) in properties under development and completed properties held for sale	**220,062**	(814,745)
(Increase)/Decrease in restricted bank deposits	**(176,252)**	138,487
(Increase)/Decrease in inventories	**(37,263)**	2,042
Decrease/(Increase) in balances with customers on construction contracts	**309,258**	(57,412)
Increase in trade and other receivables	**(1,445,888)**	(231,929)
(Decrease)/Increase in receipts in advance	**(968,731)**	1,329,824
Increase in trade and other payables	**710,516**	485,904
Cash (used in)/generated from operations	**(307,093)**	1,591,397

38 Financial guarantee

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	**256,592**	373,304	**–**	–
Guarantees given to banks in respect of bank loans granted to subsidiaries	**–**	–	**1,099,500**	250,000

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

39 Commitments

(a) Commitments for properties under development

	2011 RMB'000	2010 RMB'000
Contracted but not provided for	**1,769,103**	633,900

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

As at 31 December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings, plant and machinery, details of which are as follows:

	2011 RMB'000	2010 RMB'000
Not later than one year	**2,811**	2,223
Later than one year and not later than five years	**5,703**	2,973
Later than five years	**136**	–
	8,650	5,196

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

As at 31 December 2011, the Group had future aggregate minimum lease receivable under non-cancellable operating leases in respect of land and buildings, details of which are as follows:

	2011 RMB'000	2010 RMB'000
Not later than one year	**9,770**	4,365
Later than one year and not later than five years	**24,554**	6,318
Later than five years	**488**	1,547
	34,812	12,230

40 Related-party transactions

Apart from the related party balances disclosed in Note 10 and related party transactions disclosed in Note 27(b), the Group had no other significant related party transactions during the year ended 31 December 2011.

Key management of the Group include the directors and supervisors, whose compensation has been disclosed in Note 32(b).

Definitions

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

AGM	Annual General Meeting held on 13 June 2011
Anhui Baoye	Baoye Anhui Company Limited, a subsidiary of the Company
Baoye Construction	Zhejiang Baoye Construction Group Company Limited, a subsidiary of the Company
Baoye Industrialisation	Zhejiang Baoye Building Materials Industrialisation Company Limited, a subsidiary of the Company
Baoye Real Estate	Zhejiang Baoye Real Estate Group Company Limited, a subsidiary of the Company
Board	the board of Directors
Building Materials Business	the activities of research and development, production and sale of building materials conducted by the Group
Company Law	the Company Law of the People's Republic of China
Construction Business	the activities of undertaking and implementation of construction projects conducted by the Group
Daiwa House	Japan's Daiwa House Industry Company Limited
Director(s)	the director(s) of the Company
H share	Overseas listed foreign share of nominal value RMB1.00 each in the registered capital of the Company, which are listed on the Stock Exchange and subscribed for in HK dollars
HKEx	Hong Kong Exchanges and Clearing Limited
HKFRS	Hong Kong Financial Reporting Standards
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hubei Baoye	Baoye Hubei Construction Group Company Limited, a subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
PRC	the People's Republic of China and for the purpose of this annual report only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

Property Development Business	the activities of development of real estate conducted by the Group
RMB	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
Stock Exchange	the Stock Exchange of Hong Kong Limited
Supervisor(s)	the Supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
The Company/Baoye	Baoye Group Company Limited, a joint stock limited company incorporated in the PRC and listed on the main board of the Stock Exchange
The Group/Baoye Group	the Company and its subsidiaries

Corporate Information

Directors
Executive Directors
Mr. Pang Baogen
(Chairman of the Board)
Mr. Gao Lin
Mr. Gao Jiming
Mr. Gao Jun
(Appointed on 13 June 2011)
Mr. Jin Jixiang
(Appointed on 13 June 2011)
Mr. Zhou Hanwan
(Retired by rotation on 13 June 2011)
Mr. Wang Rongfu
(Retired by rotation on 13 June 2011)

Non-executive Director
Mr. Fung Ching, Simon
(Appointed on 13 June 2011)

Independent Non-executive Directors
Mr. Chan Yin Ming, Dennis
Mr. Wang Youqing
Mr. Zhao Rulong
(Appointed on 13 June 2011)
Mr. Wang Youwei
(Retired by rotation on 13 June 2011)
Mr. Yi Deqing
(Retired by rotation on 13 June 2011)
Mr. Hu Shaozeng
(Retired by rotation on 13 June 2011)

Supervisors
Supervisors
Mr. Kong Xiangquan, *Chairman*
Mr. Qian Yongjiang
Mr. Yuan Ajin

Independent Supervisors
Mr. Li Yongsheng
Mr. Zhang Xindao

Audit Committee
Mr. Chan Yin Ming, Dennis, *Chairman*
Mr. Fung Ching, Simon
Mr. Wang Youqing

Remuneration Committee
Mr. Chan Yin Ming, Dennis, *Chairman*
Mr. Zhao Rulong
Mr. Pang Baogen

Nomination Committee
Mr. Wang Youqing, *Chairman*
Mr. Zhao Rulong
Mr. Gao Jiming

Company Secretary
Ms. Ngan Lin Chun, Esther FCIS, FCS

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

Statutory Auditor
PricewaterhouseCoopers Zhongtian CPAs
34/F Tower A, Kingkey 100
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Luohu District
Shenzhen, PRC
Post Code: 518001

Legal Advisers
As to Hong Kong law
King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

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

Hong Kong H Share Registrar
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Principal Banks
Agricultural Bank of China Limited
Bank of China Limited
Bank of Communications Company Limited
China Construction Bank Corporation
China Minsheng Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Industrial Bank Company Limited
Shanghai Pudong Development Bank Company Limited
Shenzhen Development Bank Limited

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

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38 Gloucester Road,
Wanchai, Hong Kong

Authorised Representatives
Mr. Pang Baogen
Mr. Gao Jiming

Stock Code
HKEx ("2355")

Contact
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CONTACT 聯絡方式

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