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寶業集團股份有限公司

BAOYE GROUP COMPANY LIMITED*

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

(Stock Code: 2355)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of Baoye Group Company Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012 prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2011. The following financial information is extracted from the audited consolidated financial statements as set out in the Group's 2012 Annual Report.

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December **2012** ***RMB'000***	 2011 *RMB'000*
Revenue	*2*	**17,275,899**	16,186,830
Cost of sales		**(15,815,723)**	(14,836,997)
Gross profit		**1,460,176**	1,349,833
Other income	*3*	**127,389**	99,748
Other gains – net	*4*	**55,355**	44,945
Selling and marketing costs		**(41,056)**	(45,143)
Administrative expenses		**(399,095)**	(372,101)
Operating profit		**1,202,769**	1,077,282
Finance costs		**–**	–
Share of loss of jointly controlled entity		**(14,662)**	(27,976)
Share of (loss)/gain of associates		**(5,486)**	302
Profit before income tax		**1,182,621**	1,049,608
Income tax expense	*5*	**(426,042)**	(333,765)
Profit for the year		**756,579**	715,843
Attributable to:			
– Owners of the Company		**752,256**	710,196
– Non-controlling interests		**4,323**	5,647
		756,579	715,843
Earnings per share for profit attributable to the owners of the Company			
– basic and diluted (expressed in RMB per share)	*6*	**1.135**	1.071
Dividends	*7*	**139,222**	139,222

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit for the year	**756,579**	715,843
Other comprehensive income:		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	**(1,206)**	(5,221)
Change in fair value of available-for-sale financial assets, net of tax	**712**	(1,028)
Other comprehensive income for the year, net of tax	**(494)**	(6,249)
Total comprehensive income for the year	**756,085**	709,594
Attributable to:		
– Owners of the Company	**751,762**	703,947
– Non-controlling interests	**4,323**	5,647
	756,085	709,594

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**576,183**	588,262
Property, plant and equipment		**1,110,218**	960,390
Goodwill		**16,534**	16,534
Properties under development		**–**	369,129
Investment in jointly controlled entity		**–**	8,759
Loan to jointly controlled entity		**222,854**	189,757
Investment in associates		**27,888**	2,857
Loan to associates		**35,668**	–
Available-for-sale financial assets		**12,109**	11,479
Deferred income tax assets		**53,603**	192,111
		2,055,057	2,339,278
Current assets			
Inventories		**125,781**	143,911
Properties under development		**3,450,589**	2,601,982
Completed properties held for sale		**1,229,182**	620,281
Due from customers on construction contracts		**1,976,693**	1,685,703
Trade receivables	*8*	**1,291,836**	935,965
Other receivables		**1,721,863**	2,370,499
Available-for-sale financial assets		**56,320**	–
Restricted bank deposits		**213,196**	527,521
Cash and cash equivalents		**1,612,551**	1,878,422
		11,678,011	10,764,284
Total assets		**13,733,068**	13,103,562

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**662,964**	662,964
Share premium		**847,295**	847,295
Reserves	*9*	**135,742**	116,831
Retained earnings			
– Proposed final dividend		**139,222**	139,222
– Others		**3,200,979**	2,604,842
		4,986,202	4,371,154
Non-controlling interests		**103,615**	76,556
Total equity		**5,089,817**	4,447,710
LIABILITIES			
Non-current liabilities			
Borrowings		**190,000**	210,000
Deferred income tax liabilities		**37,795**	38,910
		227,795	248,910
Current liabilities			
Trade payables	*10*	**1,858,504**	1,736,606
Other payables		**1,661,677**	1,246,566
Receipts in advance		**1,823,646**	1,737,569
Current income tax liabilities		**707,765**	720,420
Due to customers on construction contracts		**1,708,864**	1,565,881
Borrowings		**655,000**	1,399,900
		8,415,456	8,406,942
Total liabilities		**8,643,251**	8,655,852
Total equity and liabilities		**13,733,068**	13,103,562
Net current assets		**3,262,555**	2,357,342
Total assets less current liabilities		**5,317,612**	4,696,620

Notes:

1. BASIS OF PREPARATION

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

The new and amended accounting standards, which are mandatory for the financial year beginning on 1 January 2012, are not relevant or have no impact to the Group.

2. SEGMENT INFORMATION

The segment information is as follows:

	Year ended 31 December 2012				
	Construction *RMB'000*	**Property development** *RMB'000*	**Building materials** *RMB'000*	**Others** *RMB'000*	**Group** *RMB'000*
Total revenue	**14,221,216**	**1,670,837**	**2,061,195**	**122,147**	**18,075,395**
Inter-segment revenue	**(587,042)**	**–**	**(197,129)**	**(15,325)**	**(799,496)**
Revenue (from external customers)	**13,634,174**	**1,670,837**	**1,864,066**	**106,822**	**17,275,899**
Operating profit	**464,729**	**638,133**	**107,761**	**(7,854)**	**1,202,769**
Depreciation	**36,573**	**3,596**	**48,780**	**24,354**	**113,303**
Amortisation	**7,079**	**–**	**3,499**	**2,605**	**13,183**
Impairment of receivables	**6,286**	**–**	**5,522**	**–**	**11,808**
Share of loss of jointly controlled entity	**–**	**14,662**	**–**	**–**	**14,662**
Share of loss of associates	**–**	**48**	**5,438**	**–**	**5,486**
Income tax expense	**108,829**	**287,635**	**27,238**	**2,340**	**426,042**

	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/(reversal) of receivables	(2,831)	–	14,575	–	11,744
Share of loss of jointly controlled entity	–	27,976	–	–	27,976
Share of (gain)/loss of associates	–	138	(440)	–	(302)
Income tax expense	80,874	228,494	20,604	3,793	333,765

3. OTHER INCOME

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

4. OTHER GAINS – NET

	2012	2011
	RMB'000	*RMB'000*
Government compensation	**29,526**	22,342
Gains on disposals of land use rights	**26,059**	–
Gains on settlement of the long aging payables	**335**	6,218
(Losses)/Gains on disposals of property, plant and equipment	**(2,203)**	12,692
Others	**1,638**	3,693
	55,355	44,945

5. 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 (2011: 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% (2011: 25%).

(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:

	2012	2011
	RMB'000	*RMB'000*
Current income tax		
– PRC CIT	**237,597**	288,069
– PRC land appreciation tax	**51,290**	216,177
Deferred income tax, net		
– PRC CIT	**46,080**	(64,824)
– PRC land appreciation tax	**91,075**	(105,657)
	426,042	333,765

6. 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.

	2012	2011
Profit attributable to the owners of the Company (RMB'000)	**752,256**	710,196
Ordinary shares in issue during the year (thousands shares)	**662,964**	662,964
Basic earnings per share (RMB)	**1.135**	1.071

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

7. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.21 (2011: RMB0.21) per ordinary share	**139,222**	139,222

The board of directors recommend the payment of a final dividend of RMB0.21 (2011: RMB0.21) per ordinary share, totalling RMB139,222,000 (2011: RMB139,222,000). Such dividend is subject to the approval by the shareholders of the Company at the Annual General Meeting scheduled to be held on 16 June 2013. These financial statements do not reflect this dividend payable. The final dividend of RMB139,222,000 (RMB0.21 per ordinary share) for 2011 was paid in 2012.

In the event the payment of the aforesaid final dividend is approved by the shareholders of the Company at the Annual General Meeting, according to the "Enterprise Income Tax Law of the People's Republic of China" and the "Detailed Rules for Implementation of the Enterprise Income Tax Law of the People's Republic of China", which came into effect on 1 January 2008, any H shares registered in the name of non-resident enterprise shareholders (including corporate nominees or trustees) are subject to a 10% withholding tax for the dividend declared and paid by the Company. Accordingly, in respect of all shareholders whose names appear on the register of members for H Shares of the Company as at 28 June 2013 who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees, and other entities or organizations that are all considered as non-resident enterprise shareholders), the Company will distribute the final dividends after deductions of 10% as income tax. In accordance with the relevant tax regulations of the People's Republic of China, the dividends received by overseas resident individual shareholders from the stocks issued by domestic non-foreign investment enterprises in Hong Kong is subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of the stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China, or the tax arrangements between the mainland China and Hong Kong (Macau). Accordingly, the Company will withhold 10% of the dividends to be distributed to the individual H-Share holders as individual income tax unless otherwise specified by the relevant tax regulations and tax agreements.

The Company will withhold payment of enterprise income tax as well as the individual income tax for shareholders strictly in accordance with the relevant laws or requirements of the relevant governmental departments and strictly based on what has been registered on the Company's register of members for H Shares on the record date (i.e. 28 June 2013). The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding of enterprise income tax and individual income tax.

8. TRADE RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**1,340,053**	972,374
Less: provision for doubtful debts	**(48,217)**	(36,409)
	1,291,836	935,965

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 (except for installment arrangement for certain villas projects). The net book value of trade receivables approximates their fair value. As at 31 December 2012, the ageing analysis of the trade receivables is as follows:

	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**723,638**	557,479
3 months to 1 year	**368,504**	225,516
1 to 2 years	**128,887**	75,512
2 to 3 years	**65,956**	64,502
Over 3 years	**53,068**	49,365
	1,340,053	972,374

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.

9. RESERVES

	Assets revaluation reserve *RMB'000*	Available-for-sale financial assets reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Others *RMB'000*	Total *RMB'000*
Balance at 1 January 2011	9,336	4,132	100,990	(13,587)	100,871
Appropriation from retained earnings	–	–	22,209	–	22,209
Transfer of reserves to income statement upon sale of revaluated properties	(5,221)	–	–	–	(5,221)
Revaluation of available-for-sale financial assets	–	(1,370)	–	–	(1,370)
Revaluation – tax	–	342	–	–	342
Balance at 31 December 2011	4,115	3,104	123,199	(13,587)	116,831
Balance at 1 January 2012	**4,115**	**3,104**	**123,199**	**(13,587)**	**116,831**
Appropriation from retained earnings	**–**	**–**	**16,897**	**–**	**16,897**
Transfer of reserves to income statement upon sale of revaluated properties	**(1,206)**	**–**	**–**	**–**	**(1,206)**
Revaluation of available-for-sale financial assets	**–**	**950**	**–**	**–**	**950**
Revaluation – tax	**–**	**(238)**	**–**	**–**	**(238)**
Disposal of interest in subsidiary without loss of control	**–**	**–**	**–**	**2,508**	**2,508**
Balance at 31 December 2012	**2,909**	**3,816**	**140,096**	**(11,079)**	**135,742**

10. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Within 3 months	**867,510**	968,738
3 months to 1 year	**490,092**	368,630
1 to 2 years	**297,755**	235,428
2 to 3 years	**85,545**	91,061
Over 3 years	**117,602**	72,749
	1,858,504	1,736,606

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 16 June 2013 (the "AGM"). The notice of the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 May 2013 to 16 June 2013, both dates inclusive, during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for holders of the Company's H Shares) no later than 4:30 pm on 15 May 2013.

The register of members of the Company will be closed from 21 June 2013 to 28 June 2013, both dates inclusive, during which period no share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the AGM), all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for holders of the Company's H Shares) no later than 4:30 pm on 20 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the year ended 31 December 2012, the Group achieved a consolidated revenue of approximately RMB17,275,899,000 (2011: RMB16,186,830,000), representing an increase of approximately 7% compared to the previous year; operating profit reached approximately RMB1,202,769,000 (2011: RMB1,077,282,000), representing a growth of approximately 12% compared to last year; profit attributable to the owners of the Company amounted to approximately RMB752,256,000 (2011: RMB710,196,000), representing an increase of approximately 6% from last year; earnings per share was RMB1.135 (2011: RMB1.071), representing an increase of approximately 6% compared to last year.

Revenue

	For the year ended 31 December				
	2012		2011		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**13,634,174**	**79%**	12,002,258	74%	14%
Property Development	**1,670,837**	**9%**	2,503,583	16%	-33%
Building Materials	**1,864,066**	**11%**	1,516,503	9%	23%
Others	**106,822**	**1%**	164,486	1%	-35%
Total	**17,275,899**	**100%**	16,186,830	100%	7%

Operating profit

	For the year ended 31 December				
	2012		2011		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**464,729**	**39%**	392,843	36%	18%
Property Development	**638,133**	**53%**	603,900	56%	6%
Building Materials	**107,761**	**9%**	79,291	7%	36%
Others	**(7,854)**	**-1%**	1,248	1%	-729%
Total	**1,202,769**	**100%**	1,077,282	100%	12%

Construction Business

For the year ended 31 December 2012, the Group's construction business achieved revenue of approximately RMB13,634,174,000, representing a growth of approximately 14% over last year; operating profit amounted to approximately RMB464,729,000, representing an increase of approximately 18% over last year. The construction business continued to maintain a steady growth and rapid development, primarily attributable to its steady increase in new construction contracts orders and construction-in-progress under contracts in recent years.

For the year ended 31 December 2012, the Group's total contract value under construction-in-progress amounted to approximately RMB46,551,178,000, representing an increase of approximately 15% over last year. The total contract value for the Group's construction-in-progress is analysed below:

By project nature

	As at 31 December				
	2012		2011		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Government and Public Buildings	**14,669,673**	**32%**	13,477,717	33%	9%
Urban Infrastructure	**14,139,920**	**30%**	11,755,001	29%	20%
Residential Projects	**9,446,165**	**20%**	8,917,586	22%	6%
Industrial Projects	**8,295,420**	**18%**	6,384,182	16%	30%
Total	**46,551,178**	**100%**	40,534,486	100%	15%

By region

	As at 31 December				
	2012		2011		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Zhejiang Province	**13,972,336**	**30%**	12,971,036	32%	8%
Shanghai	**11,281,678**	**24%**	10,133,622	25%	11%
Other Eastern China Region	**5,094,095**	**11%**	3,850,776	10%	32%
Central China Region	**8,730,208**	**19%**	7,470,506	18%	17%
Northern China Region	**4,680,255**	**10%**	3,648,104	9%	28%
Other Regions	**1,433,777**	**3%**	1,276,836	3%	12%
Overseas*	**1,358,829**	**3%**	1,183,606	3%	15%
Total	**46,551,178**	**100%**	40,534,486	100%	15%

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

Facing the intensified competition in the market, the Group expands its market share by enhancing its quality level and economy of scale in project and contract management, in order to uphold its position in existing and new markets. The Group's construction business adopts the operating philosophy of "precision management", "long term co-operation with strategic alliance partner" and "project risk management", and "innovation and technology advancement" as the core competitive advantages to sustain corporate competitive capability. The Group's construction business had secured new construction contracts valued at approximately RMB18.8 billion (2011: RMB17 billion) for the year ended 31 December 2012, an increase of approximately 11% compared to last year. The Group's new construction contracts focused on the mid and high-end construction, as well as high profile projects, namely, Section B of Anhui Province Government Building Binhu Centre, Phase II of Hualun International Culture Square, China Telecom Textile City Provincial Communication Electromechanical Building, National Traditional Chinese Medicine Clinical Research Foundation of Traditional Chinese Medicine Hospital in Zhejiang Province, Shijiazhuang Armament College of the Chinese People's Liberation Army, Suzhou Public Accumulation Funds Building, the curtain wall project of Hangzhou Railway East Station, the extension project of Pingshui Road in Shaoxing County, the central stadium of Wuhan University of Technology, and the complex building of Huangshi Women & Children Hospital.

During the year ended 31 December 2012, the Group continued to value brand building and solicit high quality projects to embrace the brand of "Baoye" with a total of 52 awards. The principal awards and recognitions are as follows:

Projects Name	**Awards**
Wenzhou New Century Commercial Building	National Silver Award
West Lake Cultural Square	Qianjiang Cup
The Staff Club of Zhejiang University Zijingang Campus	Qianjiang Cup
Wharf Royal Garden	Golden Stone Award
Jinjihu School in Suzhou Industry Zone	Yangzi Cup
Phase I of New Hefei Second Hospital	Huangshan Cup
Choi Chi Centre	Huangshan Cup
Shanghai Wanyuan Community	Baiyulan Cup/Outstanding Award in Zhejiang
The Nine-year Compulsory School in F Block, Wanyuan Community	Outstanding Award in Zhejiang
Curtain Wall Project of A1 Parcel of Nanjing Kairun Jincheng	Excellent Curtain Wall Project Award in Zhejiang
Curtain Wall Project of Beilun Entry-Exit Inspection and Quarantine Bureau	Excellent Curtain Wall Project Award in Zhejiang
Curtain Wall Project of Ningbo Chengnan Commercial Building	Excellent Curtain Wall Project Award in Zhejiang

Property Development Business

Property Sales

For the year ended 31 December 2012, revenue of the Group's property development business amounted to approximately RMB1,670,837,000 (the revenue before deductions of sales tax and related levies was approximately RMB1,767,038,000), representing a decrease of approximately 33% from last year. Operating profit amounted to approximately RMB638,133,000, representing an increase of approximately 6% compared to last year. The decrease in revenue of property development business was mainly due to a decrease of delivered property units from five projects last year to three projects this year and, correspondingly, a decrease of sales floor area from 330,000 square metres last year to 110,000 square metres this year when recognizing sales. However, due to the revenue of Baoye Four Seasons Garden, which has a much higher gross profit margin, constituting a large proportion of the realised revenue, the operating profit margin of the property development business has thus increased from 24% in 2011 to 38% in 2012. The property development business registered an increase in operating profit despite a reduction in revenue during the year.

For the year ended 31 December 2012, revenue of property sales was mainly derived from the following 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-Liu Garden	Shaoxing	24,261	51,090	1,239,511
Yangxun Commercial Centre	Shaoxing	5,910	33,612	198,661
Baoye Tongcheng Green Garden	Hefei	8,050	21,052	169,476

For the year ended 31 December 2012, the sales contract of the Group's property development business amounted to approximately RMB1,900,000,000 (2011: RMB1,300,000,000), contract sales areas aggregated to approximately 200,000 square metres, excluding the property sales under the jointly controlled entity, all of which will be progressively delivered and recognised in the next two years.

Projects under Development

As at 31 December 2012, the Group's projects under development are set out below:

Project Name	Location	Total Estimated Gross Floor Area under Development *(Sqms)*	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	450,000	100%
Yuyuan	Shaoxing	42,000	49%
Jiangwan Green Garden	Shaoxing	59,000	100%
City Green Garden Phase IV	Hefei	100,000	100%
Baoye Dongcheng Square	Hefei	228,500	100%
Jiangwan Luyuan	Hangzhou	70,000	100%
Baoye Guanggu Lidu	Wuhan	300,000	100%
Baoye Wanhuacheng	Shanghai	194,000	100%
Shanghai Hongqiao Project*	Shanghai	27,000	100%
Baoye Mengdie Luyuan*	Bozhou	430,000	50%
Kaifeng Project*	Kaifeng	800,000	60%

* *As at the date of this announcement, the licenses of land use rights of Shanghai Hongqiao Project, Kaifeng Project and a parcel of 78,367 square metres land of Baoye Mengdie Luyuan are currently being processed.*

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 and town houses. It consists of a golf club and a five-star resort hotel, a country park and a central lakeside garden with full-fledged facilities. It will be developed into 12 phases, of which Lotus Garden and Liu Garden had been delivered to owners; He Garden, Ming Garden and Run Garden Phase I were set for pre-sale in 2012 respectively.

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 of Hong Kong Limited (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. The project will be developed in four phases, of which Phase I, Phase II and Phase IV had been delivered to owners.

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 villas, town houses, high-rise residential buildings and some commercial units with beautiful scenery and convenient transportation. The project is under development and is expected to be delivered in 2013.

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 and has been developed in four phases, of which Phase I, Phase II and Phase III had been completed and recognised as sales 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 been almost sold out.

Baoye Dongcheng Square is located at 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 commercial units of this project are estimated to commence business operation in 2013 and the residential units are expected to be delivered in 2014.

Jiangwan Luyuan is located in Xiaoshan District, Hangzhou City and has 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, 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. The project is under development and is estimated to be delivered in 2013.

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 commercial units, aiming to build a well mixed of residential and commercial units with well-developed facilities, convenient transportation and cultural heritage. The project will be developed in three phases.

Baoye Wanhuacheng is located in Huinan, Pudong New District, Shanghai, a prime location within the Pudong golden triangle, populated by industrial zones with convenient transportation and well-developed community facilities. It has a total site area of approximately 106,950 square metres and an estimated gross floor area of approximately 194,000 square metres, comprising high-rise residential, town houses and commercial units. The project will be developed in three phases.

Shanghai Hongqiao Project is located in Hongqiao commercial business district, Shanghai, a prime location with convenient transportation. It has a total site area of approximately 8,130 square metres and an estimated gross floor area of approximately 13,000 square metres above-ground and an estimated gross floor area of approximately 14,000 square metres underground, which will be developed as office buildings.

Baoye Mengdie Luyuan is located in Mengcheng County, Bozhou City, Anhui Province. It has a total estimated gross floor area of approximately 430,000 square metres with two wings in East and West, comprising multi-storey units, high-rise residential and shopping area. This project is an ideal place for residential and commercial development with a unique style and convenient transportation. It will be the landmark of Mengcheng County when completed. The pre-sale of phase I of approximately 40,000 square metres was launched in 2013 and had registered satisfactory results.

Kaifeng Project, located in the centre of New City District, Kaifeng County, has a total estimated gross floor area of over 800,000 square metres, comprising town houses, garden houses, multi-storey and high-rise units, a hot-spring hotel, and a commercial complex. After completion, the project will be a mixture of residential, leisure, entertainment, commercial and holiday resort development.

Completed Property

Daban Fengqing Phase II, located in Keqiao, Shaoxing County, has a total gross floor area of approximately 150,000 square metres. The project was completed in October 2012 ahead of schedule. The sold units were delivered to owners in January 2013 and the revenue of which was not included in the property sale for the year of 2012.

New Land Reserves

During the year ended 31 December 2012, the Group acquired three parcels of new land use rights in Mengcheng Anhui, Kaifeng Henan and Hongqiao Shanghai at a total consideration of approximately RMB451,240,000 through public tender and auction pursuant to the development strategy and financial position of the Group. These three new parcels of land had an aggregate land area of approximately 220,130 square metres, with an estimated total gross floor area of approximately 553,000 square metres, details of which are set out below:

Date	**Location**	**The Total Land Cost** *(RMB'000)*	**Land Area** *(Sqms)*	**Estimated Gross Floor Area** *(Sqms)*	**Equity Interest of the Group**	**Note**
May 2012	Mengcheng Anhui	288,630	148,000	430,000	50%	Residential
June 2012	Kaifeng Henan	22,120	64,000	96,000	60%	Residential
August 2012	Hongqiao Shanghai	140,490	8,130	27,000	100%	Office

Leveraging on the Group's healthy cash flow position and prudent financial position, the Group will actively pursue the growth opportunity set forth by the national direction towards industrialisation and urbanisation in construction sector, and 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 2012, revenue of the Group's building materials business amounted to approximately RMB1,864,066,000, representing an increase of approximately 23% over last year; operating profit was approximately RMB107,761,000, representing an increase of approximately 36% from last year.

For the year ended 31 December 2012, revenue from the Group's building materials is analysed below:

	For the year ended 31 December		
	2012	2011	**Change**
	RMB'000	*RMB'000*	
Curtain Wall	**915,192**	672,719	36%
Ready-mixed Concrete	**393,784**	359,325	10%
Steel Structure	**259,525**	92,897	179%
Furnishings and Interior Decorations	**214,556**	267,286	-20%
Wooden Products and Fireproof Materials	**80,049**	94,757	-16%
Others	**960**	29,519	-97%
Total	**1,864,066**	1,516,503	23%

During the year ended 31 December 2012, the Group's building materials business achieved a rapid growth, mainly due to the increased production capacity of three building materials industrial parks in Shaoxing, Hefei and Wuhan, and increase in output. The business in curtain wall, ready-mixed concrete and steel structure maintains stable growth and rapid development, in particular the steel structure division after years of accumulated experience.

Simultaneously, the Group's brand reputation has been enhanced rapidly. During the year, Zhejiang Baoye Steel Structure Company Limited was awarded the first class certificate of professional contractor, which enables it to contract supplies and construction of steel structure projects including the standard factory of Shanghai Lingang High Technology Development Company Limited, and Wenzhou Aojia International Hotel and the terminal of Yiwu International Airport. Zhejiang Baoye Curtain Wall Decoration Company Limited became one of the first batches of Zhejiang high and new technology enterprises, and its business also continued to maintain rapid growth. It has contracted for curtain wall projects of Hangzhou East Railway Station and Zhongkai City Lights in Shanghai.

During the year, the Group has been able to attain commendable achievements in transforming the mode of operation and breaking through a cross-divisional development in the areas of industrialised construction.

- The acquisition agreements of Anhui Baoye Building Materials Industrialisation Company Limited, a subsidiary of the Company, acquiring 29% of the equity interests of the respective shareholders of Sievert Quick-mix Building Materials (Hefei) Company Limited and Sievert Concrete Precast Elements (Hefei) Company Limited, has come into effect after approval by the relevant governing authorities.

- In December 2012, Zhejiang Baoye Building Materials Industrialisation Company Limited, a subsidiary of the Group, entered into a letter of intent with BV Bauelemente Verwaltungsgesellschaft mbH & Co.KG, a subsidiary of Sievert Group, in relation to the establishment of a sino-foreign joint venture, in which the Company is interested in 75%. The joint venture will focus on the markets in Jiangsu, Zhejiang and Shanghai, which will be principally engaged in the research and development, production, sale and construction of prefabricated floor slab and wall slab.

- In December 2012, the Company signed a letter of intent with Daiwa Housing (PRC) Investment Company Limited and in February 2013, the two parties entered into a jointly controlled entity agreement in relation to the establishment of a jointly controlled entity, under which the Company holds 50% interest. The jointly controlled entity will be principally engaged in the production, sale, construction and design consultation, research and development of parts used in industrialised residential housing, to capture the increased market demand in the PRC market for green, energy-saving and environmental-friendly industrialised housing.

The Group devoted itself to the research and development of housing industrialisation, and possessed two industrialised housing technological systems of light steel structure and PC concrete structure, articulated with easy construction, accurate assembly, high quality, safety, energy-saving and environmental-friendly, all of which have been applied into the projects, namely, Tianmen Lake Public Housing Project in Hefei, Jingdongfang Public Housing in Xinzhan District and Lenovo Export and Import Processing Public Housing, etc. At the same time, the light steel structure industrialised housing production line with an annual capacity of 500 industrialised houses has been put into production, the products are well perceived in the market. Following the establishment of sino-foreign joint venture and jointly controlled entity, the Group will certainly improve its market share and profitability of housing industrialisation business and attain a win-win situation technologically and economically.

BUSINESS PROSPECT

Macro Operating Environment

In view of the prevailing macro operating environment, economic development is in a midst of opportunities, risks and challenges. The Central Government persists to maintain a stable growth, and prioritise it in a key position by adjusting the economic structure where appropriate and using macro-economic austerity measures. At the 18th CPC National Congress, it appeals to speed up urbanisation and to support real economy growth, which sets a good operating environment and developing opportunity for the Group’s three main businesses of construction, property development and building materials.

Construction Business is the Platform for the Group’s Business Development

The Group will seize the opportunity giving rise by the urbanisation and development in Central China. With just over 50% of the urbanisation ratio in China, there is still much room to grow when urbanisation ratio increases. It is estimated that with every 1% increase in urbanisation ratio, it will translate into RMB1,000 billion investment in infrastructural construction, meaning that the construction industry is still under golden time for rapid development. As an enterprise possessing Premium Class Certificate for General Building Construction, good branding effect and core competencies in the industry for 38 years, the Group now becomes more competitive. Meanwhile, the Group will reap on its two regional companies and its brand image in Central China to further increase its market share and strengthen its construction business in the region.

To deepen its market position, after ten years of development, Anhui Baoye and Hubei Baoye have become renowned companies in local presence, meeting the Group's vision of "going out Yangtze River Delta, covering the whole nation and realizing the regional management". The Group will preserve the "going out" strategy and development framework by "network marketing, regional businesses and management", to enhance its market position. Taking the advantage of overseas companies, the Group will speed up and expand overseas markets by contracting for more overseas government investment projects and subsidised economic construction projects.

In relation to the business development mode, by securing "big market, big customer and big project", the Group will expand the scale of operation, promote transformation and upgrading its position as project general contractor, construction-agent system, Build-Transfer (BT), Build-Operate-Transfer (BOT) and Engineering-Procurement-Construction (EPC), by regulating and improving the Group's business structure and mode, as well as enhancing its profitability in the construction market in light of fierce competition.

Property Development Business Contributes Substantial Profit to the Group

During the year of 2012, real estate industry showed a stable growth both in terms of volume and pricing under the prevailing macro-economic measures. However, the demands from first time home buyers, buyers looking for upgrading housing needs, the relaxed bank credit policy, and home purchase restriction policy, all contributed to a slow recovery of the real estate market. Besides, the policy of increase in urbanisation will bring new development opportunities and steer the rigid demand in second and third tier cities. Taking this increase in urbanisation opportunity, the Group will explore business opportunities in the areas of affordable housing, green and environmental-friendly residential property and property for the aged and small town construction.

The Group's property development business strategy follows the government's macro-economic measures, mainly focusing on quality residential properties featured with small and medium size, livability, good location and full community service and positioning its market in second and third tier cities in Hubei, Anhui and Henan in Central China. With its high quality products and services, good reputation and brand image that have been established by the two regional companies in Hubei and Anhui, the Group has paved a good foundation for its speedy development of property business in second and third tier cities in the region.

Under its prudent policy, the Group preserves its land bank with good location, appropriate size, reasonable cost and appreciation potential through public tender and auction, which will meet the development requirement for the coming three to five years and ensure the sustainable development of the Group's property development, as well as improve the Group's overall profitability. In addition, according to the market needs, the Group will speed up its developing process of land reserves, shorten project development circle and increase saleable floor area, and, in preparation for, in all materials respects, keen market competition.

Housing Industrialisation is an Important Strategy to Sustain Continuous Growth for the Group

The tradition of Chinese construction industry tends to incur and develop properties with high materials and high energy consumption. Housing industrialisation is a new production mode to replace the traditional mode, which can improve the quality of housing, lower production cost and energy consumption. The report of 18th CPC National Congress states that urbanisation should be intensive, green and low-carbon. Meanwhile, during the period of the twelfth "Five-Year-Plan", the Chinese government will invest a further sum of RMB5,000 billion in improving the living environment, under which more than RMB1,000 billion will be used in developing green and energy saving construction, leading the effective development of new building materials and green and energy saving products. The energy saving and low-carbon construction will be the future development direction for the industry. Under this gesture, China housing industrialisation will also be undergoing a golden development time and posturing enormous market opportunity and demand.

As the leader of housing industrialisation in China, the Group is committed to researching and promoting energy saving, environmental-friendly and green industrialisation system, having established three building materials industrial parks in Shaoxing, Hefei and Wuhan and owning two industrialised housing technologies in light steel structure and PC concrete structure. The Group is well prepared both in technology and market strategy and expects to have a bigger market share in the emerging green construction market.

The Group will utilise its advantages in the development of housing industrialisation by leveraging its national research institution and national housing industrialisation production base and value each and every aspect of operations from design, sourcing, manufacture, and sale to service. Through the cooperation with the Japanese partner, Daiwa House and the German partner, Sievet Group, the Group will focus on the housing industrialisation with these two overseas' industry leaders, and further expand its market share, improve operational efficiency and achieve a cross-divisional development.

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 allow 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 25% (2011: 31%) of the total borrowings. In addition, approximately 27% of the total borrowings (2011: 22%) 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. As at 31 December 2012, the Group has unutilized banking facilities amounting to approximately RMB3.5 billion. Details of which are analysed below:

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Cash and cash equivalents	**1,612,551**	1,878,422
Restricted bank deposits	**213,196**	527,521
Less: total borrowings	**(845,000)**	(1,609,900)
Net cash	**980,747**	796,043
Total equity attributable to the owners of the Company	**4,986,202**	4,371,154
Net cash ratio	**20%**	18%

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

Other Key Financial Ratios

	As at 31 December	
	2012	2011
Return on equity	**15.1%**	16.2%
Net assets value per share (RMB)	**7.52**	6.59
Current ratio	**1.39**	1.28

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

For the year ended 31 December 2012, profit attributable to the owners of the Company was approximately RMB752,256,000, representing an increase of approximately 6% compared to last year. Total equity attributable to the owners of the Company increased by approximately 14.1% compared to last year. Such increase posted a slight reduction of return on equity and an increase of approximately 14.1% of the net assets value per share compared to last year. As at 31 December 2012, the Company was in the position of net cash, having a slight increased net cash ratio at approximately 20% as compared to approximately 18% of net cash ratio of last year, mainly due to a large portion of bank borrowings was being repaid during the year, the net bank borrowings were RMB845,000,000, representing a decrease of 48% compared to last year.

Cash Flow Analysis

		For the year ended 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Cash inflow/(outflow) from operating activities	*(i)*	**476,865**	(587,160)
Cash (outflow) from investing activities	*(ii)*	**(221,608)**	(175,513)
Cash (outflow)/inflow from financing activities	*(iii)*	**(521,128)**	693,207
Net (decrease) in cash and cash equivalents		**(265,871)**	(69,466)

Notes:

(i) During the year, the net cash inflow from the operating activities was approximately RMB476,865,000, a significant increase of approximately RMB1,064,025,000 compared to the net cash outflow of approximately RMB587,160,000 of last year, which was primarily attributable to the satisfactory pre-sale results of property units and improvement in working capital management.

(ii) During the year, the net cash outflow from the investing activities was approximately RMB221,608,000, which was primarily due to the increased investment of approximately RMB231,746,000 in property, plant and equipment.

(iii) During the year, the net cash outflow from financial activities was approximately RMB521,128,000, due to the repayment of bank borrowings and the payment of final dividend for 2011.

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 2012, the Group's land appreciation tax amounted to approximately RMB142,365,000.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB399,095,000 for the year ended 31 December 2012 as compared to approximately RMB372,101,000 last year, representing an increase of approximately 7% from last year. Followed by the business expansion and increase of employees' salaries and benefits, administrative expenses had increased correspondingly during the year.

Finance Costs

During the year ended 31 December 2012, the Group had registered no capital financing costs, mainly due to the bank borrowings were applied for use in property development and were entirely capitalised.

Financial Guarantee

	31 December 2012 *RMB'000*	31 December 2011 *RMB'000*
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	**255,736**	256,592

The Group had issued performance guarantees in respect of mortgage facilities granted by a number of 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.

Details of the Charges on the Group's Assets

As at 31 December 2012, land use rights, property, plant and equipment and properties under development, restricted bank deposits at a total value of approximately RMB566,720,000 (as at 31 December 2011: RMB917,721,000) 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

The 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

For the year ended 31 December 2012, the Group had no connected transaction that would require disclosure under the Listing Rules.

Purchase, Sale or Redemption of Shares of the Company

For the year ended 31 December 2012, 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 2012, the Group had a total of 3,532 permanent employees (as at 31 December 2011: 3,520). Also, there were approximately 74,930 indirectly employed construction site workers (as at 31 December 2011: 72,560). These workers were not directly employed by the Group. For the year ended 31 December 2012, the total employee benefit expenses amounted to approximately RMB3,769,414,000. Employee benefit expenses include salaries, 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 and training plan to encourage superior performance of employees to fit into the Group's long term development plan.

Litigation and Arbitration

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

Entrusted Deposits and Overdue Time Deposits

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

Corporate Governance Code

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 31 December 2012 (the "CG Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2012, the Company has complied with all the code provisions as set out in the CG Code, except for deviation of provision A.2.1 of the CG Code as mentioned below:

Code Provision A.2.1 provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company deviates from this provision because Mr. Pang Baogen has been performing both the roles of Chairman and Chief Executive Officer. The Group has appointed three general managers 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 current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of the Group's policies efficiently. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

Model Code for Securities Transactions by Directors and Supervisors

The Board and the Supervisory Committee have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors and Supervisors. Specific enquiries have been made by the Company and all the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the year of 2012. 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 guidelines, which is as strict as the Model Code.

Audit Committee

The audit committee of the Company consists of two independent non-executive directors, namely Mr. Chan Yin Ming, Dennis (chairman), Mr. Wang Youqing and one non-executive director, Mr. Fung Ching, Simon. The audit committee held three meetings during the year ended 31 December 2012. All three members attended the meetings. The audit committee has discussed the accounting policies, the critical accounting estimates and assumptions, the audit objectives and the scope of the Group's internal audit department with management. They also discussed with the auditors on their audit plans and key audit areas. The audited consolidated financial statements and the annual results announcement of the Group for the year ended 31 December 2012 had been reviewed by the audit committee before submission to the Board for adoption and approval.

Announcement of Annual Results

The figures in respect of this announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditors, PricewaterhouseCoopers to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

Publication of Annual Report

The full text of the Group's 2012 Annual Report will be sent to the shareholders of the Company and posted on the websites of The Stock Exchange (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

Appreciation

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

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

Zhejiang, the People's Republic of China
22 March 2013

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