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

2012 年 年報
Annual Report






Our Mission
我們的使命

"From Construction To Manufacturing"

leads construction industry towards industrialisation in China.

「從建造到製造」

帶領中國建築業走向產業化

Contents

Corporate Profile

BUSINESS STRUCTURE

BAOYE GROUP COMPANY LIMITED

CONSTRUCTION BUSINESS

- Government and Public Buildings
- Urban Facilities and Infrastructure
- Commercial Buildings
- Residential Buildings
- Industrial Buildings
- Electrical and Electronic Installation
- Fireproof Facilities Installation
- Curtain Wall Installation
- Gardening and Landscaping

PROPERTY DEVELOPMENT BUSINESS

- Shaoxing "Baoye Four Seasons Garden"
- Shaoxing "Daban Fengqing" Phase II
- Shaoxing "Yuyuan"
- Shaoxing "Jiangwan Green Garden"
- Hefei "City Green Garden" Phase IV
- Hefei "Baoye Dongcheng Square"
- Hangzhou "Jiangwan Luyuan"
- Wuhan "Baoye Guanggu Lidu"
- Shanghai "Baoye Wanhuacheng"
- Shanghai "Hongqiao Project"
- Bozhou "Baoye Mengdie Luyuan"
- Kaifeng "Kaifeng Project"

BUILDING MATERIALS BUSINESS

- Curtain Wall
- Ready-mixed Concrete
- Steel Structure
- Furnishings and Interior Decorations
- Wooden Products and Fireproof Materials
- Others

BUSINESS NETWORK

CONSTRUCTION BUSINESS

- Zhejiang
- Shanghai
- Jiangsu
- Anhui
- Hubei
- Hunan
- Beijing
- Tianjin
- Hebei
- Henan
- Shandong
- Shanxi
- Liaoning
- Sichuan
- Chongqing
- Xinjiang
- Jiangxi
- Fujian
- Guangdong
- Djibouti
- Botswana
- Seychelles

PROPERTY DEVELOPMENT BUSINESS

- Shaoxing
- Hefei
- Hangzhou
- Wuhan
- Shanghai
- Bozhou
- Kaifeng

BUILDING MATERIALS BUSINESS

- Shaoxing Building Materials Industrial Park
- Hefei Building Materials Industrial Park
- Wuhan Building Materials Industrial Park

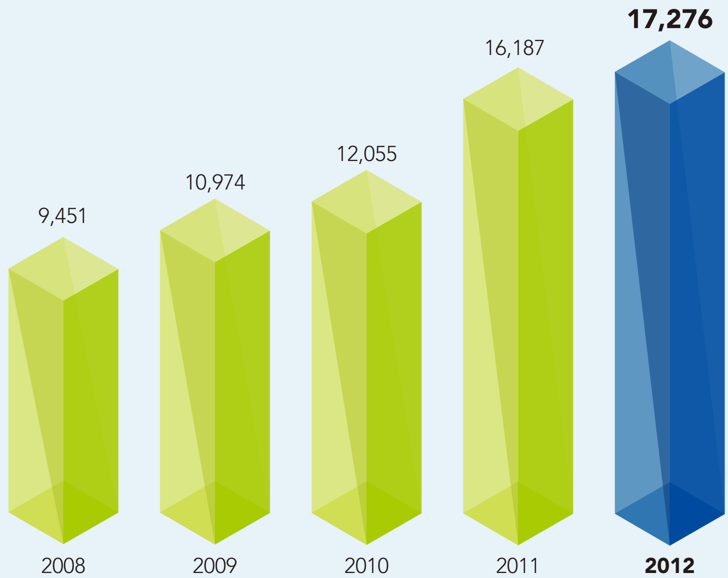
Financial Highlights

	Year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**17,275,899**	16,186,830	12,055,243	10,973,575	9,451,498
Gross Profit	**1,460,176**	1,349,833	951,191	1,139,218	616,802
Net Profit	**756,579**	715,843	546,425	586,232	155,622
Profit Attributable to the Owners of the Company	**752,256**	710,196	527,875	502,239	150,044
Earnings per Share (RMB)	**1.135**	1.071	0.796	0.758	0.226
Assets and Liabilities					
Total Assets	**13,733,068**	13,103,562	10,959,300	9,977,724	9,440,012
Total Liabilities	**8,643,251**	8,655,852	7,129,822	6,498,535	6,449,484
Total Equity	**5,089,817**	4,447,710	3,829,478	3,479,189	2,990,528

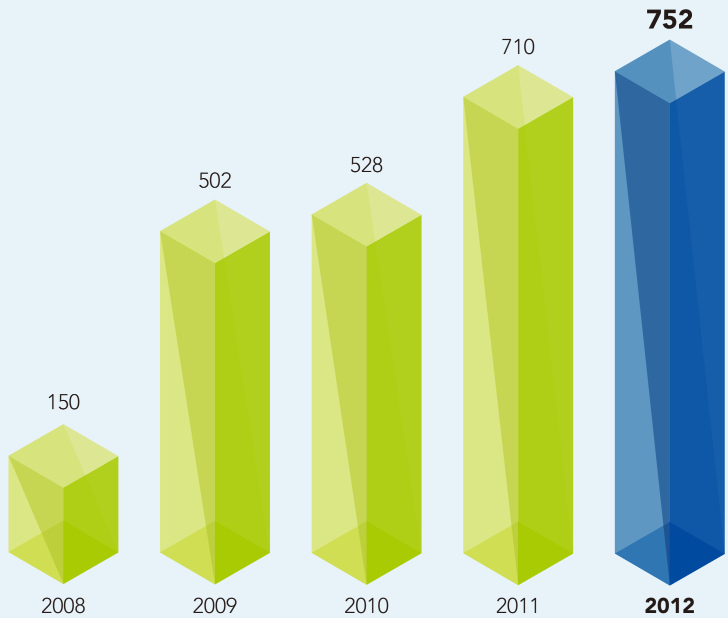
Key Financial Ratios

	As at 31 December	
	2012	2011
Return on Equity of the Company	**15.1%**	16.2%
Net Assets Value per Share (RMB)	**7.52**	6.59
Net Cash Ratio	**20%**	18%
Current Ratio	**1.39**	1.28
Cash Inflow/(Outflow) from Operating Activities (RMB'000)	**476,865**	(587,160)

Revenue
(in RMB million)



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



Chairman's Statement

During the year under review, the Group grasped the opportunity and maintained steady growth despite the complex and ever-changing external environment and sluggish economic growth in China, and focused its emphasis on building its healthy growth rather than short term gains; all three business segments had registered commendable operating results. For the year ended 31 December 2012, the Group achieved an audited consolidated revenue of approximately RMB17,275,899,000, representing an increase of approximately 7% as compared to last year; profit attributable to the owners of the Company amounted to approximately RMB752,256,000, representing an increase of approximately 6% as compared to last year; earnings per share was RMB1.135, representing a growth of approximately 6% 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.

During the year, the Group had achieved speedy cross-divisional development in industrialised housing construction by upgrading its mode of operations and economy of scale. The acquisition agreement of Anhui Baoye Building Materials Industrialisation Company Limited, a subsidiary of the Company, acquiring 29% of the equity interests of each 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 Company, entered into a letter of intent with BV Bauelemente Verwaltungsgesellschaft mbH & Co. KG, a subsidiary of Sievert Group, in intention to establish a sino-foreign joint venture company, in which the Company will hold 75% interest. The joint venture company will focus on the markets in Jiangsu, Zhejiang and Shanghai and will mainly engage in research and development, production, sale and assembly of the prefabricated elements floor slabs and wall slabs.

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 2012.

Pang Baogen

Chairman of the Board

In December 2012, Baoye Group Company Limited and Daiwa House (PRC) Investment Company Limited signed the Letter of Intent, and in February 2013, both parties signed the cooperation agreement, with the intention to establish a jointly controlled entity, in which the Company will hold 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 Chinese market for green, energy-saving and environmental-friendly industrialised housing.

At present, the Group possesses two industrialised housing technological systems of light steel structure and PC concrete structure, both of which have been applied into the projects of Hefei Tianmen Lake Public Housing, Xinzhan Jindongfang Public Housing, Lenovo Import and Export Processing Park Public Housing, etc. The systems have been equipped with the distinct characters and features of easy construction, accurate assembly, high quality, safety, energy-saving and environmental-friendly.

At the board meeting held on 22 March 2013, the Board proposed a final dividend of RMB0.21 (2011: RMB0.21) per share for the year ended 31 December 2012. The Company will adhere to a stable dividend policy and a reasonable annual dividend distribution level. The Board will also take into account of the factors in net profit, cash flow, capital requirement and other factors, upon which the Board deems fit in determining the proposed dividend.

After the 18th CPC National Congress, it is anticipated that the economic growth in the next ten years will progress in a faster pace in China followed by the changes in economic cycle impacted by political policy changes. However, the momentum of economic growth will be smoothened out and constrained by the availability of resources and operating environment. In 2013, there are both opportunities and challenges that we need to address, such as investments have been gradually picked up, infrastructural investments have been continued, continued support to technology advancement and innovation, and energy conservation and environmental-friendly sectors, and increase in construction of affordable housing. At the same time, the term of the new government has just begun, there will be policies being set for new investments and implementation for urbanisation aiming to build a better China. On another front, due to the increase in materials and labour costs, the competition in construction industry will intensify; and the implementation of macro-economic austerity measures against the real estate industry will continue to flourish.

Citing the opportunity set forth by increase in urbanisation, the Board is full of confidence in its future development, which will carry significant impact to the Group's three core businesses in construction, property development, and building materials. When urbanisation rates range from 30% to 70%, construction business will undergo a fast expansion pace, according to the world's records. At present, China's urbanisation rate is 51% and is expected to increase to 60% by 2020, during which period it will call for strong demand in construction business. According to the national projection, with every 1% increase in urbanisation, it will translate into RMB1,000 billion infrastructural construction, which will bring enormous market demand and business opportunity for the construction industry. Simultaneously, the twelfth "Five-Year-Plan" also sets another key development in affordable housing, presenting a huge market opportunity. The Group will certainly capture the growing opportunity in industrialisation of housing construction in Hefei, where RMB100 billion will be spent, to further expand and enhance its market share in the Central China region.

Due to the increasing level of urbanisation, the next ten years are still the development phase of the real estate industry. Tens of millions of farmers would become inhabitants in cities and the demand for housing would be increased accordingly. The up shift of other industries also brings new demand for housing, such as hotel and leisure housing, aged home, and logistics centres, etc. Also, the speedy economic development and improvement in per capita income have created a niche market for housing improvement need. The development of new urbanised areas requires the capabilities to plan and develop projects in a professional manner. The Group, adhering to urbanisation strategies, adjusts and modifies its development strategies according to changes in market demand and product positioning by adopting prudent approach in assessment of prospective regional market demand, and selectively increase our land bank portfolio in managing our property development business. The Group, in where we operate, is less impacted by the macro-economic austerity measures, aims to target second and third tier cities supported by densely population where demand for modern housing requirement is huge. The property development business also relies on technology advancement in low-carbon and industrialised housing construction.

In the process of urbanisation, energy-saving construction is the new and important element for growth and will emphasise on quality improvement rather than improvement in quantity. The critical path in upgrading quality is the adoption of construction of industrialised housing, standardisation in design, manufacturing by factory, fitting out in site and furnishing, using supplies of green, energy-saving, low-carbon, and environmental-friendly materials or semi-finished parts or components. According to the market needs, the Group has presented the concept of "Standards plus Cement, from Construction to Manufacturing", in industrialisation of housing. Reaping on new technology, the Group explores new market and tries to make three development achievemonts of "energy saving, energy innovation and energy storage".Reaping on its three building materials industrial parks in Shaoxing, Hefei, and Wuhan, the development of steel structural and PC structural products, capital intensive and resources requirements, and bridging the supply chain top-down, the Group intends to break up the bottle-neck brought by the traditional and backward production methodologies in construction and to spearhead the industrialisation of construction industry in China using its own resources.

Good operating results are attributable to good management and operating systems and procedures. The Group will continue to building good systems and operating procedures, human resources talent and effective risk management, and will enhance the synergy effect brought by the "three-in-one" business model. We will provide quality assurance to our customers for our products and services, environmental-friendly and safety assurance to our society. Also, we will continue to adopt prudent financial policy and management of our investments, execution of risk management policy and procedures for our financing requirements and treasury management, and maintain a healthy capital structure to capture growing market opportunity which may be disappeared overnight.

Social Responsibility

In line with our corporate growth, we also treasure the value of individuals versus society, and environment versus harmonisation. The Company promotes its social values actively in order to become a good corporate citizen. "Wealth comes from the society spends in society". When the Company is in the phase of rapid development, we will never forget our corporate culture in sustaining the relationship between and among "corporate-market-society", participating in charity, subsidised education and public interest. In recent years, the Company has donated over RMB100 million to local communities and was awarded the Charity Star of Shaoxing City. Moreover, the Company is committed to the development of low-carbon, green, environmental-friendly and energy saving housing tapping on its development strategies throughout, focusing on the development of industrialised housing, and instilling the concept of low-carbon to the construction industry, which, in turn, contributes to energy saving and emission reduction for the country as a whole.

Human Resources

The Group 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 Group actively adopts a simpler administration team in line with the Company's core culture. The Group 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 will support the Group's future business growth and development. Meanwhile, Baoye Institute will continue to bring up more diligent and hard working senior management elite to ensure the sustainable development of human resources of the Company.

Vision and Mission

The Group is willing to act as a piece of screws in a big carrier-based warship to excel our three core businesses by building brand image, fair trade competition, and innovation. In corporate operation, the Company values the entrepreneurship approach with principle of rejecting lures instead of a businessman like approach in pursuing short term huge profit, and values business culture by developing the Company's culture in coordination with its business policy to achieve a more competitive position in the market. In corporate management, the Company values contract management by improving and innovating measures in its implementation process, and values the ethic instead of skills, meanwhile, the Company values team work and diligent work and spreads positive energy.

Going forward to the future development, the Company will focus on its housing industrialisation business in the guidance of "Chinese Dream" and lead the ways of "From construction to manufacturing, leads construction industry towards industrailisation in China" in fulfilling its corporate obligation as well as social obligations to build the beautiful China.

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 2013 for our shareholders.

Pang Baogen
Chairman of the Board
22 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

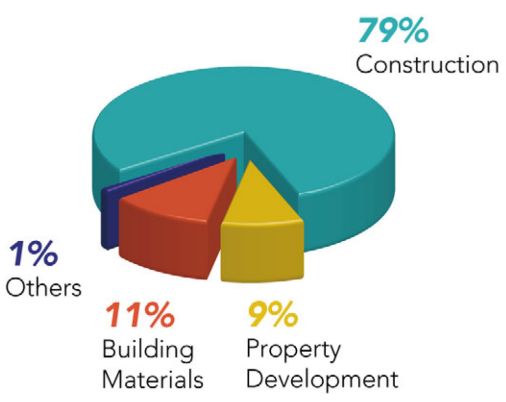
Results Review

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 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.

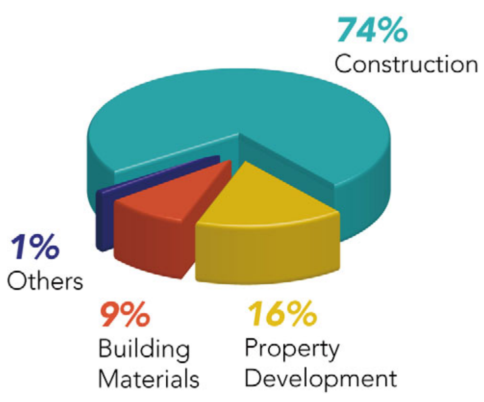
Revenue

	For the year ended 31 December				Change
	2012		2011		
	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%

2012



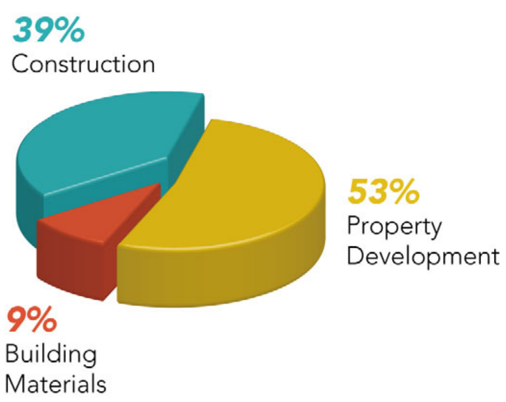
2011



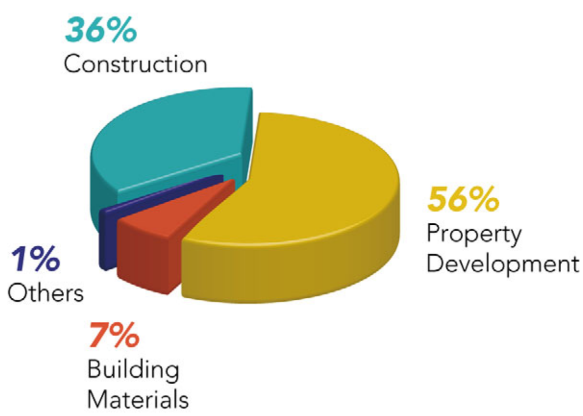
Operating profit

	For the year ended 31 December				Change
	2012		2011		
	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%

2012



2011



Construction Business

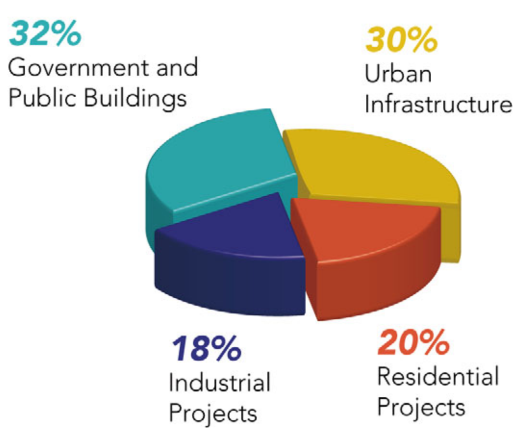
For the year ended 31 December 2012, the Group's construction business achieved revenue of approximately RMB13,634,174,000, representing a growth of approximately 14% over last year; operating profit amounted to approximately RMB464,729,000, representing an increase of approximately 18% over last year. 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:

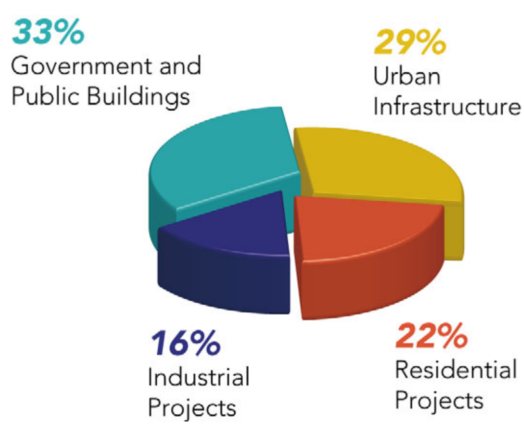
By project nature

	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%

2012



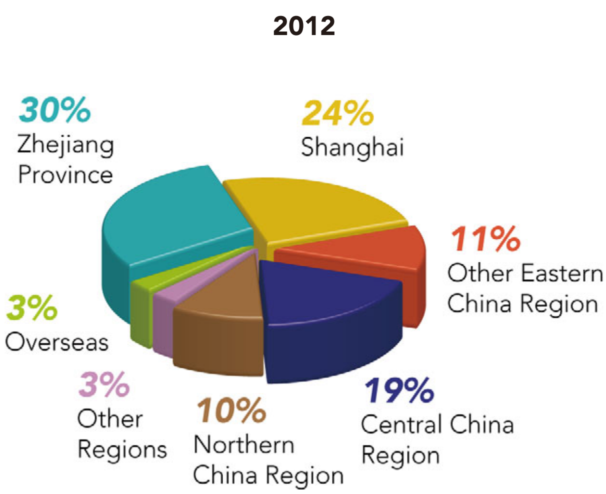
2011

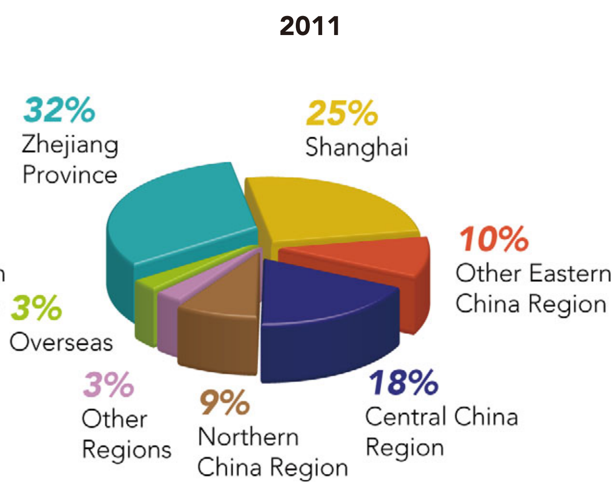


By region

	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 East Railway 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
Warlf 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 Block F, 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 recognising 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 approximated to 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 annual report, 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, the 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 on 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. This 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 of 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 phase I of approximately 40,000 square metres was launched in 2013 and had registered satisfactory result.

Kaifeng Project, located in the centre of New City District, Kaifeng County and 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 Company. 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	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 ***RMB'000***	2011 *RMB'000*	**Change**
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 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 Company, 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 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 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 51% 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 housing improvement needs, and relaxed bank credit policy, and home purchase restriction policy, all contributed to the 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 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 development 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 values 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 to 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 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 large increase of approximately RMB1,064,025,000 compared to the net cash outflow of approximately RMB587,160,000 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, which were applied for use in properties development and were entirely capitalised.

Financial Guarantee

	As at 31 December 2012 ***RMB'000***	As at 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.

CORPORATE GOVERNANCE REPORT

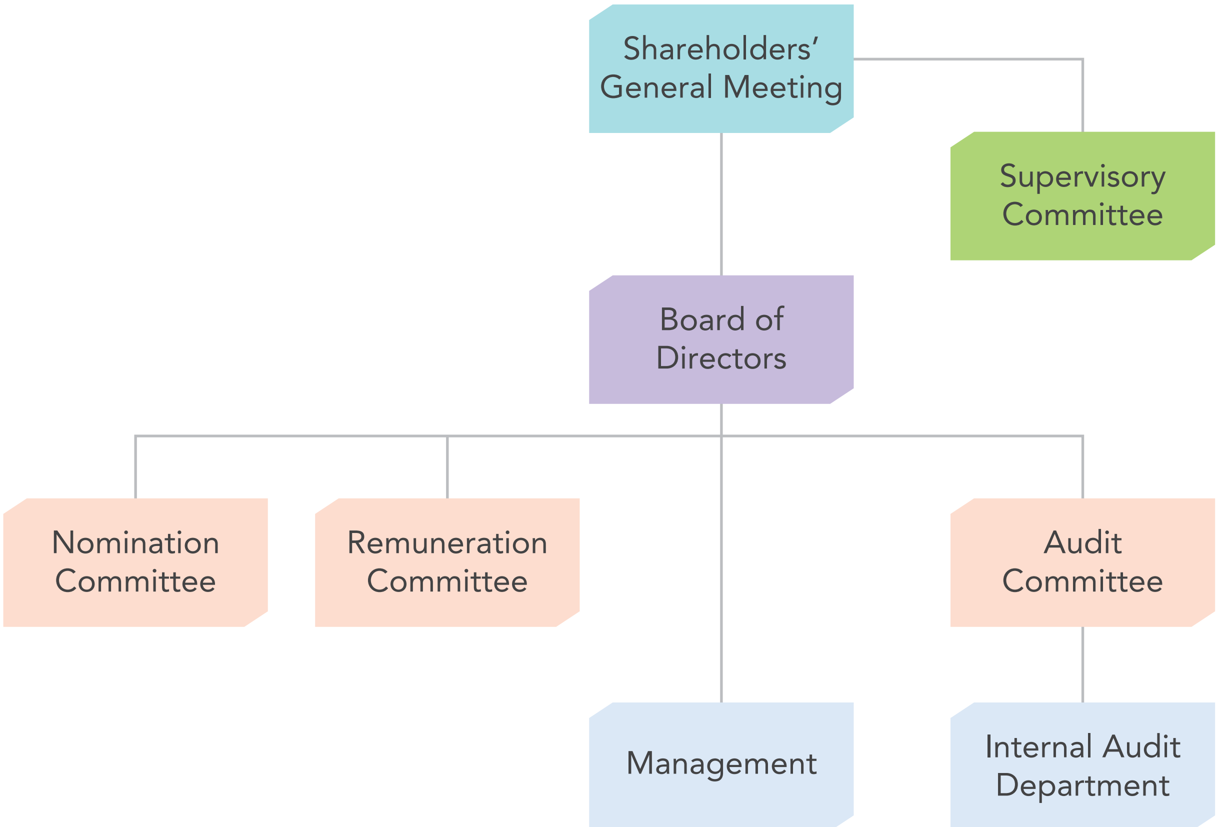
The Group is committed to establishing an efficient, orderly and transparent corporate governance mechanism. Since its listing, the Company strives to comply with the Company Law of the PRC (the "Company Law"), the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchanges of Hong Kong Limited (the "Stock Exchange"), 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 Code

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices 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 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.

Corporate Governance Structure



Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2012.

Board of Directors

Duties of the Board

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment and developing and reviewing the Group's policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive Directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

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 possesses 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.

The Directors may have access to the advice and services of the company secretary of the Company with a view to ensure that the board procedures, and all applicable rules and regulations, are followed. In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Board has adopted the Model Code 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 2012.

All members of the Board, including executive Directors and non-executive Directors had entered into three-year service contracts with the Company respectively. According to the memorandum and articles of association of the Company, all executive Directors and non-executive Directors will retire by rotation in 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 49 to 52 of the annual report.

The remunerations of each of the Directors of the Company are disclosed on an individual basis, details of which are set out in note 33 to the consolidated financial statements.

The band of remuneration of senior management personal and related number of members of senior management are as follows:

	2012 **Number of individuals**	2011 Number of individuals
Below RMB650,000	**5**	5

Since its listing, the Company maintained liability insurance for its Directors, Supervisors and senior management each year.

Board Meetings

The Board held a total of four meetings during the year. The attendance of each of the Directors is set out in the table below. The relevant senior management and members of the Supervisory Committee of the Group had all attended the board meetings held during the year. Directors received the notice of board meeting at least 7 days before the date on which board meeting was held and all of the 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 2012

Name	Attendance/Number of Board Meetings
Executive Directors	
Mr. Pang Baogen	4/4
Mr. Gao Lin	4/4
Mr. Gao Jiming	4/4
Mr. Gao Jun	4/4
Mr. Jin Jixiang	4/4
Non-executive Director	
Mr. Fung Ching, Simon	4/4
Independent Non-executive Directors	
Mr. Chan Yin Ming, Dennis	4/4
Mr. Wang Youqing	4/4
Mr. Zhao Rulong	4/4

Independent Non-executive Directors

The composition of independent non-executive Directors of the Board complies with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors, accounting for one third of the Board. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

Directors' Training and Development

Pursuant to the revised CG Code which has come into effect from 1 April 2012, all Directors are required to participate in continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2012, the Company invited the legal advisers to the Company as to Hong Kong laws to provide a training to all Directors on Directors' and Supervisors' responsibilities and duties, connected transactions and price-sensitive information disclosure obligations of the listed companies. Besides, some Directors also attended lessons on Directors' roles, functions and duties, as well as strengthened their professional development by reading some related information or attending professional training sessions on their own. The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code.

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 rules. 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, Mr. Fung Ching, Simon, with Mr. Chan Yin Ming, Dennis as the chairman of the audit committee.

In order to comply with the CG Code, the Board adopted a revised terms of reference of the audit committee on 19 March 2012. The revised terms of reference of the audit committee are available on the websites of the Company and the Stock Exchange.

The terms of reference of the Company's audit committee are formulated in accordance with the 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 has established a whistle blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the Company. The audit committee of the Company held three meetings during the year of 2012.

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 2012

Name	Attendance/Number of Audit Committee Meetings
Mr. Chan Yin Ming, Dennis	3/3
Mr. Wang Youqing	3/3
Mr. Fung Ching, Simon	3/3

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.

In order to comply with the CG Code, the Board adopted a revised terms of reference of the remuneration committee on 19 March 2012. The revised terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange.

The major responsibilities of the remuneration committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors, Supervisors and senior management of the Company, to review and approve the management's remuneration recommendation according to the Board's policy and target, and to take the market forces and comparable industries into consideration when determining the remuneration packages of the Directors, Supervisors and senior management of the Company.

The remuneration committee of the Company held one meeting during the year of 2012 according to its terms of reference and operation program. 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 2012

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.

In order to comply with the CG Code, the Board adopted a revised terms of reference of the nomination committee on 19 March 2012. The revised terms of reference of the nomination committee are available on the websites of the Company and the Stock Exchange.

The main duties of the nomination committee are to review the structure, size and composition of the Board of Directors on a regular basis, to make recommendations to the Board regarding any proposed changes and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of the independent non-executive Directors and providing recommendations to the Board of Directors on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and supervisors.

The nomination committee held one meeting in 2012 according to its terms of reference and operation program. 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 position of directors and supervisors, and nominating such persons to be directors and supervisors;

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

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

The Board adopted a "Procedure and Criteria for Nomination of Directors", the details of which are set out below:

Procedure for Nomination of Directors

– When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director);

– Prepare a description of the role and capabilities required for the particular vacancy;

– Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors;

- Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview;
- Conduct verification on information provided by the candidate; and
- Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

Criteria for Nomination of Directors

Common Criteria for All Directors

- Character and integrity;
- The willingness to assume broad fiduciary responsibility;
- Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs;
- Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company;
- Significant business or public experience relevant and beneficial to the Board and the Company;
- Breadth of knowledge about issues affecting the Company;
- Ability to objectively analyse complex business problems and exercise sound business judgment;
- Ability and willingness to contribute special competencies to Board activities; and
- Fit with the Company's culture.

Criteria Applicable to Independent Non-executive Directors

- Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings;
- Accomplishments of the candidate in his/her field;
- Outstanding professional and personal reputation; and
- The candidate's ability to meet the independence criteria for directors established in the Listing Rules.

Attendance of Nomination Committee Meeting in 2012

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 2012, 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 62 to 63 of the annual report.

Corporate Governance Functions

The Board is responsible for the corporate governance functions with the following duties:

– to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;

– to review and monitor the training and continuous professional development of Directors;

– to review and monitor the Company's policies and practices on compliance with legal and regulatory equirements;

– to develop, review and monitor the code of conduct and compliance manual applicable to Directors and employees;

– to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

– such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

Company Secretary

On 1 September 2005, Ms. Ngan Lin Chun, Esther was appointed as the company secretary of the Company. She is a fellow member of The Hong Kong Institute of Chartered Secretaries, which fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. Her primary corporate contract person at the Company is Ms. Chen Jianfang. As an external employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. During the year under review, the Company was informed that the company secretary has attained not less than 15 hours of relevant professional training.

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 Listing Rules.

Directors' Attendance of Shareholders' General Meeting in 2012

Name	Attendance/Number of Shareholders' General Meeting
Executive Directors	
Mr. Pang Baogen	1/1
Mr. Gao Lin	1/1
Mr. Gao Jiming	1/1
Mr. Gao Jun	1/1
Mr. Jin Jixiang	1/1
Non-executive Director	
Mr. Fung Ching, Simon	1/1
Independent Non-executive Directors	
Mr. Chan Yin Ming, Dennis	1/1
Mr. Wang Youqing	1/1
Mr. Zhao Rulong	1/1

Shareholders' Rights

In accordance with article 87 of the Company's articles of association, two or more shareholders holding in aggregate 10% (including 10%) or more of the shares carrying the voting right at the meeting sought to be held shall have the right to require the Board to convene an extraordinary general meeting or a class meeting. The shareholder shall make a written requisition to the Board or the secretary of the Company to the office address or correspondence address of the Company in Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents. The Board shall as soon as possible proceed to convene an extraordinary general meeting or a class meeting after receiving the requisition. If the Board does not serve the notice of the convening a meeting after 30 days of receiving the written requests aforesaid, such shareholders may convene such a meeting within four months from the date of receipt of the requisition by the Board. Any reasonable expenses incurred by the requisitions by reason of the failure of the Board to duly convene a meeting shall be repaid to the shareholders by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

Subject to applicable laws and regulations, including the Company Law, the Listing Rules and the articles of association of the Company as amended from time to time, the Company may from time to time in general meeting by ordinary resolution elect any person to be a director of the Company either to fill a casual vacancy or as an additional director. A shareholder of the Company can deposit a written notice at the correspondence address in Hong Kong of the Company for the attention of the company secretary for proposing a person for election as director. The written notice must state the full name of the person proposed for election as director and include such person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and the written notice signed by the candidate proposed to be elected as director indicating his/her willingness to be elected. The period for lodgment of such a written notice shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting for election of directors and ending no later than seven days prior to the date of such meeting.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the secretary of the Company, may also make enquiries with the Board at the general meetings of the Company.

The correspondence address of the Company in Hong Kong as follows:

Room 1902, Mass Mutual Tower
38 Gloucester Road, Wanchai, Hong Kong

Controls Mechanism

Supervisory Committee

The Supervisory Committee is the standing supervisory organisation of the Company, which is responsible for supervising the functions of the Board and its members and the 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 of the Company comply with the requirements of the relevant laws and regulations.

The Supervisory Committee comprises Mr. Kong Xiangquan (chairman of the Supervisory Committee), Mr. Qian Yongjiang, Mr. Yuan Ajin and independent Supervisors, 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 an 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 of 2012 and all of the five Supervisors attended the meetings. The Supervisory Committee has also attended the board meetings held in the year of 2012. The Supervisory Committee has also adopted the Model Code 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 2012.

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 of 2012, 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 sub-contractor's bidding budget; and final settlement and control system according to the annual internal audit plans. The Company's internal audit department has conducted special purpose audit assignments on certain subsidiaries and branches of the Group during the year of 2012. It has proposed constructive recommendations for adoption by certain subsidiaries and branches to improve their deficiencies.

Social Responsibility

The Group reckons that a good and successful corporate development cannot be sustained without the support of social development. When the Company is in the phase of rapid development, the Company will never forget to serve our communities by participating in charity, subsidised education and public interest. The Group has created more than 80,000 jobs and donated a total of more than RMB100,000,000 in recent years. Every year, the Group organises its employees to participate in blood donation, revealing their sense of belonging and commitment to social responsibility.

During the year, Mr. Pang Baogen, Chairman of the Board, was awarded "the Fourth Excellent Builders of Socialism of Chinese Characteristic in Zhejiang Province" and the "Charity Star" by Shaoxing City; Anhui Baoye, a subsidiary of the Group, was honoured with the first "Top Warming Companies" in Hefei City; Mr. Gao Jun, the executive Director and general manager of Anhui Baoye, was awarded the "Charity People Models".

Complying with enterprise taxation rules is not only a legal responsibility, but also a commitment for corporate social responsibility. For years, the Group has been ranked as one of the "Top 500 Tax Payment Enterprises" by the State Bureau of Taxation.

Moreover, the Company is committed to the development of low-carbon, green, environmental-friendly and energy saving housing tapping on its development strategies throughout, focusing on the development of industrialised housing, and instilling the concept of low-carbon to the construction industry, which, in turns, contribute to energy saving and emission reduction for the country as a whole.

Investor Relations

The Company pays great attention to maintain good relations with investors. It 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 obtain more information from 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 arranges meetings for the management to communicate with investors and mass medias, not only let the investors to gain a deep understanding of the Company's business development, but also render their suggestions and expectation to the Board and the management.

Substantial Shareholders of H Shares

As at 31 December 2012, 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 Investment Management (Hong Kong) Ltd	35,502,000	11.37%	5.36%
Liu Yang*	35,502,000	11.37%	5.36%
JPMorgan Chase & Co.	21,616,000	6.92%	3.26%
Norges Bank	20,936,000	6.71%	3.16%
Zhu Yicai	18,536,000	5.93%	2.80%

* The interest is held by Ms. Liu Yang through her controlled corporation, namely, Atlantis Investment Management (Hong Kong) Ltd.

Important Dates

Events	Date
Issued interim results announcement of 2012	On 20 August 2012
Issued annual results announcement of 2012	On 22 March 2013
Closure of register of member of the Company	From 16 May 2013 to 16 June 2013 (both dates inclusive) From 21 June 2013 to 28 June 2013 (both dates inclusive)
Annual general meeting of 2012	On 16 June 2013
Class meeting for holders of H Shares	On 16 June 2013
Class meeting for holders of Domestic Shares	On 16 June 2013
Payment date of the final dividend of 2012	On 11 July 2013

Constitutional Documents

In compliance with the Company Law and the Listing Rules from time to time, the amendment of articles of association was proposed at the Board meeting on 19 March 2012, and the consolidated conformed version of new articles of association was adopted by shareholders at the annual general meeting on 15 June 2012. An updated consolidated version of the new articles of association of the Company is available on the websites of the Company and the Stock Exchange. For further details, please refer to the circular of the Company dated 23 April 2012.

The last annual general meeting was held at 2nd Floor, Baoye Group, No.501 Shanyin West Road, Keqiao, Shaoxing County, Zhejiang Province, PRC at 2:00 p.m. on 15 June 2012. All the resolutions were passed by the shareholders by votes. Please refer to the announcement of the Company dated 15 June 2012 for the agenda and shareholders' resolutions that were discussed and approved at the annual general meeting held on 15 June 2012. All the Directors attended the annual general meeting.

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, one of the fourth excellent builders of socialism with Chinese characteristic in 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 and Agricultural Technology Promotion Foundation in Zhejiang Province, representative of the 12th 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 and the director of the operation management committee of the Company, a director and the general manager of Baoye Hubei Construction Group Company Limited. Mr. Gao holds a professor level senior engineer qualification and is a graduate of 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 of the Company and the chairman and general manager of Hubei Construction Real Estate Development Company, a subsidiary of Baoye Hubei Construction Group Company Limited. Mr. Gao is a graduate of the China University of Geosciences, majoring in civil engineering and holds a professor level senior engineer qualification. He is a committee member of the Real Estate Association in Zhejiang Province and Shaoxing City, and vice chairman of the Real Estate Association of Shaoxing County. He joined the Group in 1978.

Mr. 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 Baoye Group Anhui Company Limited. 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 15th 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 the 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 Zhejiang Baoye Construction Group Company Limited. 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 of Directors of Baoye Group 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 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 associate 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 director and Chief Executive Officer of Standard Corporate Advisory Limited. Prior to that, Mr. Chan had been director and chief financial officer of various listed 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 and retails, telecommunications, logistics and financial services.

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 Fudan University, majoring in history. Mr. Zhao was the 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 secretary and 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 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 acting as the deputy general manager of Zhejiang Baoye Construction Group Company Limited. 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 Zhejiang Baoye Construction Group Company Limited, a subsidiary of the Group. 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 Southeast 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 Zhejiang Baoye Construction Group Company Limited. Mr. Wang holds a professor level senior engineer qualification. He was awarded the National Outstanding Construction Project Manager, National Outstanding Construction Entrepreneur, Outstanding Construction Company Manager of Zhejiang, Top 10 Outstanding Entrepreneurs of Construction in Zhejiang, Model Worker of Shaoxing City, Talent with great contribution to the development of Shaoxing City. He also has been appointed the lead member of the onsite inspection of the premier national construction projects. He joined the Group in 1975.

Mr. Wang Rongbiao, born in 1968, is the deputy director of operation management committee and the chairman and the general manager of Zhejiang Baoye Building Materials Industrialisation Company Limited. Mr. Wang graduated from Wuhan Science and Technology University, majoring in civil engineering, and holds a senior engineer qualification. 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 Zhejiang Baoye Real Estate Group Company Limited. Mr. Lou graduated from 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 accountancy, 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 2012.

Principal Activities

The principal activities of the Group are the provision of construction service, development and sale of properties and manufacture and distribution of industrialised 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 2012 are set out in the balance sheets of the consolidated financial statements prepared in accordance with HKFRS on pages 64 to 65.

The results of the Group for the year ended 31 December 2012 prepared in accordance with HKFRS are set out in the consolidated income statement on page 66.

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 23 to the consolidated financial statements.

Distributable Reserves

According to the relevant laws and regulations in the PRC, the reserves of the Company available for distribution to the equity holders amounted to RMB456,953,000 as at 31 December 2012 (2011: RMB438,570,000).

Dividends

At the board meeting held on 22 March, 2013, the Board proposed a final dividend of RMB0.21 (2011: RMB0.21) per ordinary share for the year ended 31 December 2012.

Segment Information

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

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

The segment information for the year ended 31 December 2012 is set out in note 5 to the consolidated financial statements.

Major Customers and Suppliers

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

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

Fixed Assets

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

Purchase, Sale or Redemption of Shares of the Company

During the year of 2012, 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 2012 are as follows:

Directors

Executive Directors
Mr. Pang Baogen *(Chairman of the Board)*
Mr. Gao Lin
Mr. Gao Jiming
Mr. Gao Jun
Mr. Jin Jixiang

Non-executive Director
Mr. Fung Ching, Simon

Independent Non-executive Directors
Mr. Chan Yin Ming, Dennis
Mr. Wang Youqing
Mr. Zhao Rulong

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

As at 31 December 2012, there's no change of Directors, Supervisors and senior management.

Biographical Details of Directors, Supervisors and Senior Management

Brief biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 49 to 52 of the annual report.

Remuneration of Directors

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

Highest Paid Individuals

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

Independence of Independent Non-executive Directors

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

Interests of Directors, Supervisors, Chief Executive and Senior Management

As at 31 December 2012, the interests and short positions of Directors, Supervisors, chief executive and senior management of the Company and any of the associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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/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	–	6,612,000	1.00%
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 annual general meeting of 2010 held on 13 June 2011, 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 annual general meeting of 2013 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

Raised Funds and Dividend

Year	Raised Funds (HKD)	Dividend (RMB/share)	The Total Dividend (RMB)	The Full-Year Earnings (RMB)	Approximate Percentage of the 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%
2012	/	0.21	139,222,000	752,256,000	18.5%
Total	1,181,190,000		805,113,240		

Share Capital

As at 31 December 2012, there was a total share capital of 662, 964, 005 shares of the Company in issue, which includes:

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

Public Float

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

Connected Transactions

During the year of 2012, 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.

Litigation and Arbitration

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

Entrusted Deposits and Overdue Time Deposits

As at the date of this annual 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.

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.

Model Code for Securities Transactions by Directors and Supervisors

The Board and the Supervisory Committee have adopted 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.

Code on Corporate Governance Practices

The Group has complied with the code provisions set out in the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and all the code provisions and the recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period from 1 April 2012 to 31 December 2012, 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 (the "PwC Hong Kong") as the Company's international auditor and the re-appointment of PricewaterhouseCoopers Zhongtian Certified Public Accountants (the "PwC ZT") as the Company's PRC statutory auditor were approved at the annual general meeting held on 15 June 2012.

The remuneration of the auditors in the year 2012 is set out as follows:

	2012		2011	
	Audit fees RMB'000	**Other fees RMB'000**	Audit fees RMB'000	Other fees RMB'000
PwC Hong Kong	**2,800**	**–**	3,000	–
PwC ZT	**400**	**–**	–	–

The Company will propose two resolutions 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 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 H Shares), or to the Company's office address at No.501 Shanyin West Road, Keqiao, Shaoxing County, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Domestic Shares) no later than 4:30 pm on 15 May 2013.

The register of members of the Company will be closed from 21June 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 shareholder's approval at the AGM), all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or to the Company's office address of No. 501 Shanyin West Road, Keqiao, Shaoxing County, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Domestic Shares) no later than 4:30 pm on 20 June 2013.

Appreciation

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

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

Zhejiang, the PRC
22 March 2013

Supervisors' Report

To the Shareholders,

In the year 2012, the Supervisory Committee of Baoye Group Company Limited (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 2012 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
22 March 2013

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 64 to 133, which comprise the consolidated and company balance sheets as at 31 December 2012, 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2012, 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, 22 March 2013

Consolidated and Company's Balance Sheets

As at 31 December 2012

		Group As at 31 December		Company As at 31 December	
		2012	2011	**2012**	2011
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-current assets					
Land use rights	6	**576,183**	588,262	**5,319**	5,548
Property, plant and equipment	7	**1,110,218**	960,390	**25,528**	28,730
Goodwill	8	**16,534**	16,534	**–**	–
Properties under development	15	**–**	369,129	**–**	–
Investment in subsidiaries	9	**–**	–	**814,453**	814,453
Investment in jointly controlled entity	10(a)	**–**	8,759	**49,000**	49,000
Loan to jointly controlled entity	10(b)	**222,854**	189,757	**413,360**	348,184
Investment in associates	11(a)	**27,888**	2,857	**–**	–
Loan to associates	11(b)	**35,668**	–	**–**	–
Available-for-sale financial assets	13	**12,109**	11,479	**–**	–
Deferred income tax assets	29	**53,603**	192,111	**–**	–
		2,055,057	2,339,278	**1,307,660**	1,245,915
Current assets					
Amounts due from subsidiaries	9	**–**	–	**800,955**	772,866
Inventories	14	**125,781**	143,911	**–**	–
Properties under development	15	**3,450,589**	2,601,982	**–**	–
Completed properties held for sale	16	**1,229,182**	620,281	**–**	–
Due from customers on construction contracts	17	**1,976,693**	1,685,703	**–**	–
Trade receivables	18	**1,291,836**	935,965	**–**	–
Other receivables	19	**1,721,863**	2,370,499	**2,760**	2,417
Available-for-sale financial assets	13	**56,320**	–	**–**	–
Restricted bank deposits	20	**213,196**	527,521	**–**	250,000
Cash and cash equivalents	21	**1,612,551**	1,878,422	**29,003**	77,535
		11,678,011	10,764,284	**832,718**	1,102,818
Total assets		**13,733,068**	13,103,562	**2,140,378**	2,348,733
EQUITY					
Equity attributable to the owners of the Company					
Share capital	22	**662,964**	662,964	**662,964**	662,964
Share premium	22	**847,295**	847,295	**847,295**	847,295
Reserves	23	**135,742**	116,831	**140,096**	123,199
Retained earnings					
– Proposed final dividend	24, 37	**139,222**	139,222	**139,222**	139,222
– Others	24	**3,200,979**	2,604,842	**317,731**	299,348
		4,986,202	4,371,154	**2,107,308**	2,072,028
Non-controlling interests		**103,615**	76,556	**–**	–
Total equity		**5,089,817**	4,447,710	**2,107,308**	2,072,028

Consolidated and Company's Balance Sheets (continued)

As at 31 December 2012

		Group		Company	
		As at 31 December		As at 31 December	
		2012	2011	**2012**	2011
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	28	**190,000**	210,000	**–**	–
Deferred income tax liabilities	29	**37,795**	38,910	**–**	–
		227,795	248,910	**–**	–
Current liabilities					
Trade payables	25	**1,858,504**	1,736,606	**–**	–
Other payables	26	**1,661,677**	1,246,566	**25,320**	20,809
Receipts in advance	27	**1,823,646**	1,737,569	**–**	–
Current income tax liabilities		**707,765**	720,420	**7,750**	5,896
Due to customers on construction contracts	17	**1,708,864**	1,565,881	**–**	–
Borrowings	28	**655,000**	1,399,900	**–**	250,000
		8,415,456	8,406,942	**33,070**	276,705
Total liabilities		**8,643,251**	8,655,852	**33,070**	276,705
Total equity and liabilities		**13,733,068**	13,103,562	**2,140,378**	2,348,733
Net current assets		**3,262,555**	2,357,342	**799,648**	826,113
Total assets less current liabilities		**5,317,612**	4,696,620	**2,107,308**	2,072,028

The notes on pages 71 to 133 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 22 March 2013 and were signed on its behalf.

Pang Baogen
Director

Gao Jiming
Director

Consolidated Income Statement

For the year ended 31 December 2012

		Year ended 31 December	
		2012	2011
	Note	**RMB'000**	RMB'000
Revenue	5	**17,275,899**	16,186,830
Cost of sales	32	**(15,815,723)**	(14,836,997)
Gross profit		**1,460,176**	1,349,833
Other income	30	**127,389**	99,748
Other gains – net	31	**55,355**	44,945
Selling and marketing costs	32	**(41,056)**	(45,143)
Administrative expenses	32	**(399,095)**	(372,101)
Operating profit		**1,202,769**	1,077,282
Finance costs	34	**–**	–
Share of loss of jointly controlled entity	10(a)	**(14,662)**	(27,976)
Share of (loss)/gain of associates	11(a)	**(5,486)**	302
Profit before income tax		**1,182,621**	1,049,608
Income tax expense	35	**(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)	36	**1.135**	1.071
Dividends	37	**139,222**	139,222

The notes on pages 71 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	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

The notes on pages 71 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	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 revaluated 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

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2012

	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 2012	**662,964**	**847,295**	**116,831**	**2,744,064**	**4,371,154**	**76,556**	**4,447,710**
Comprehensive income							
Profit for the year	–	–	–	752,256	752,256	4,323	756,579
Other comprehensive income							
Transfer of reserves to income statement upon sale of revaluated properties	–	–	(1,206)	–	(1,206)	–	(1,206)
Change in fair value of available-for-sale financial assets	–	–	712	–	712	–	712
Total comprehensive income for the year	–	–	(494)	752,256	751,762	4,323	756,085
Total contributions by and distributions to owners of the Company recognised directly in equity							
Transfer to statutory surplus reserve	–	–	16,897	(16,897)	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	10,000	10,000
Dividends	–	–	–	(139,222)	(139,222)	(756)	(139,978)
Total contributions by and distributions to owners of the Company	–	–	16,897	(156,119)	(139,222)	9,244	(129,978)
Disposal of interest in subsidiary without loss of control (Note 41)	–	–	2,508	–	2,508	13,492	16,000
Total transactions with owners	–	–	19,405	(156,119)	(136,714)	22,736	(113,978)
Balance at 31 December 2012	**662,964**	**847,295**	**135,742**	**3,340,201**	**4,986,202**	**103,615**	**5,089,817**

The notes on pages 71 to 133 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	38	**867,925**	(307,093)
Interest paid		**(89,518)**	(32,873)
Income tax paid		**(301,542)**	(247,194)
Net cash generated from/(used in) operating activities		**476,865**	(587,160)
Cash flows from investing activities			
Loan to a jointly controlled entity	10(b)	**(39,000)**	(86,570)
Acquisition of additional interest in associates	11(a)	**(30,517)**	–
Loan to associates	11(b)	**(34,600)**	–
Purchase of available-for-sale financial assets		**(56,000)**	–
Purchase of property, plant and equipment		**(231,746)**	(170,899)
Proceeds from sale of property, plant and equipment		**10,523**	27,291
Purchase of land use rights		**–**	(45,083)
Proceeds from sale of land use rights		**33,411**	–
Interest received		**126,321**	99,748
Net cash used in investing activities		**(221,608)**	(175,513)
Cash flows from financing activities			
Proceeds from borrowings		**2,067,100**	1,820,270
Repayments of borrowings		**(2,832,000)**	(775,533)
Proceeds from/(Payments for) the restricted bank deposits for borrowings		**250,000**	(250,000)
Dividends paid to owners of the Company		**(139,222)**	(106,074)
Proceeds from disposal of interest in subsidiaries without loss of control	41	**16,000**	–
Capital contributions by non-controlling interests		**10,000**	21,700
Loan from non-controlling interests		**107,750**	–
Dividends paid to non-controlling interests		**(756)**	(17,156)
Net cash (used in)/generated from financing activities		**(521,128)**	693,207
Net decrease in cash and cash equivalents		**(265,871)**	(69,466)
Cash and cash equivalents at beginning of the year		**1,878,422**	1,947,888
Cash and cash equivalents at end of the year		**1,612,551**	1,878,422

The notes on pages 71 to 133 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 22 March 2013.

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 2012, are either not relevant or have no material 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 not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group

The following new and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group.

		Effective for annual periods beginning or after
HKAS 1(Amendment)	'Financial statements presentation' regarding other comprehensive income	1 July 2012
HKFRS 1(Amendment)	'First time adoption' on government loans	1 January 2013
HKFRS 10, 11, 12(Amendment)	'Transition guidance' on consolidated financial statements, joint arrangements and disclosure of interests in other entities	1 January 2013
HKFRS 10	'Consolidated financial statements'	1 January 2013
HKFRS 11	'Joint arrangements'	1 January 2013
HKFRS 12	'Disclosures of interests in other entities'	1 January 2013
HKFRS 13	'Fair value measurement'	1 January 2013
HKAS 27(Revised)	'Separate financial statements'	1 January 2013
HKAS 28(Amendment)	'Associates and joint ventures'	1 January 2013
HKAS 19(Amendment)	'Employee benefits'	1 January 2013
HKFRS 7	'Financial instruments Disclosures' on assets and liability offsetting	1 January 2013
HK(IFRIC) – Int 20	'Stripping costs in the production phase of a surface mine'	1 January 2013
Annual improvements 2011		1 January 2013
HKAS 32(Amendment)	'Financial instruments: Presentation'	1 January 2014
HKFRS 7 and HKFRS 9	'Mandatory effective date and transition disclosures'	1 January 2015
HKFRS 9,	'Financial instruments' on classification and measurement	1 January 2015

According to the preliminary assessment made, management of the Group does not expect the adoption of these standards would have material impact on the Group's consolidated financial statements.

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method 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 in profit or loss (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.

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 over 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 relate 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)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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 to the income statement during the financial period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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 and plants	20 years
Machinery	10 years
Motor vehicles	4~5 years
Office equipment and others	3~5 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. Goodwill is monitored at the operating segment level.

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 Summary of significant accounting policies (continued)

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 for which the financial assets were acquired. Management determines 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 the amounts that are settled or expected to be settled more 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 it 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.

2 Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated 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.

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 consolidated 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 profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated 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 Summary of significant accounting policies (continued)

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.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

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

2.12 Completed properties held for sale

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

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out 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 Summary of significant accounting policies (continued)

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 by reference to the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

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

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

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

Progress billings not yet paid by customers and retention are included within "trade 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 Summary of significant accounting policies (continued)

2.18 Trade payables

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

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

2.19 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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.

2.20 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.

(a) Current income tax

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.

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(b) Deferred income tax

(i) *Inside basis differences*

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 consolidated 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.

(ii) *Outside basis differences*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and 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.

(c) Offsetting

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

2.21 Pension obligations

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

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

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

2 Summary of significant accounting policies (continued)

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.

(d) Rental income

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

2.23 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2 Summary of significant accounting policies (continued)

2.24 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.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the 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.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's 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, where appropriate.

2.27 Financial guarantee

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

Financial guarantee liabilities are initially recognised 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.

The main foreign currency assets held by the Group is US dollar. 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 2011 and 2012, the Group did not purchase forward contracts to hedge the foreign exchange risk.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at 31 December 2012 and 2011 are as follows:

	Group As at 31 December		Company As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Assets				
U.S dollar ("USD")	**72,174**	55,588	**–**	–
Djibouti Franc ("DJF")	**8,328**	22,279	**–**	–
Botswana pula ("BWP")	**7,701**	7,978	**–**	–
Seychelles Rupee ("SCR")	**954**	1,051	**–**	–
Other foreign currencies	**2,105**	1,085	**126**	780
Liabilities				
DJF	**(54,369)**	(48,607)	**–**	–
BWP	**(15,561)**	(18,406)	**–**	–
SCR	**(4,594)**	(4,703)	**–**	–

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 As at 31 December		Company As at 31 December	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
(Decrease)/increase in profit for the year				
– USD	**(2,707)**	(2,085)	**–**	–
– DJF	**1,727**	987	**–**	–
– BWP	**295**	391	**–**	–
– SCR	**136**	137	**–**	–
– Other foreign currencies	**(79)**	(40)	**(5)**	(29)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 available-for-sale financial assets. The Group does not actively trade these investments.

As at 31 December 2012, management considered that the price risk of the equity securities is not material to the Group as the amount of available-for-sale financial assets is not significant.

(iii) Interest rate risk

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

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration 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 2012, 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 RMB1,900,000 (2011: RMB4,062,000) as all of the interest expense for the year of 2012 has been capitalised in properties under development.

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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.

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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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.

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 2012					
Borrowings	**655,000**	**190,000**	**–**	**845,000**	**–**
Interest of borrowings	**27,277**	**4,258**	**–**	**31,535**	**–**
Trade payables	**1,858,504**	**–**	**–**	**1,858,504**	**–**
Other payables (excluding other taxes payables and salaries payables)	**1,375,447**	**–**	**–**	**1,375,447**	**4,867**
Financial guarantee	**255,736**	**–**	**–**	**255,736**	**–**
Total	**4,171,964**	**194,258**	**–**	**4,366,222**	**4,867**
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

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

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

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

As at 31 December 2012 and 2011, 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 at fair value at 31 December 2012 and 2011.

	As at 31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Available-for-sale financial assets				
– Equity securities	**6,769**	**–**	**5,340**	**12,109**
– Short-term investments	**–**	**–**	**56,320**	**56,320**
	6,769	**–**	**61,660**	**68,429**

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

	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

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 2012. In addition, there were no significant changes in level 3 instruments for the year ended 31 December 2012 and 2011.

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 addressed 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. When 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% (2011: 10%), the revenue will be reduced by RMB59,804,000 (2011: RMB51,756,000) or increased by RMB60,334,000 (2011: RMB52,206,000).

(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 differences will impact the current 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.

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.

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

5 Segment information (continued)

	Year ended 31 December 2011				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group 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

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 Group's non-current assets other than financial instruments and deferred tax assets located in:

	2012 RMB'000	2011 RMB'000
PRC	**1,728,939**	1,929,699
Other countries	**1,884**	16,232
	1,730,823	1,945,931

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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**588,262**	556,193	**5,548**	5,778
Additions	**–**	45,083	**–**	–
Transfer from property held for sale	**8,456**	–	**–**	–
Disposals	**(7,352)**	–	**–**	–
Amortisation	**(13,183)**	(13,014)	**(229)**	(230)
At 31 December	**576,183**	588,262	**5,319**	5,548

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Outside Hong Kong, held on:				
Leases of over 50 years	**163,223**	166,853	**–**	–
Leases of between 10 to 50 years	**412,960**	421,409	**5,319**	5,548
	576,183	588,262	**5,319**	5,548

As at 31 December 2012, total net book value of land use rights pledged as collateral for the Group's bank borrowings amounted to RMB36,875,000 (2011: RMB95,915,000) (Note 28(a)).

7 Property, plant and equipment

Group

	Buildings and plants RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2011						
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
Year ended 31 December 2012						
Opening net book amount	**641,900**	**206,179**	**37,303**	**18,976**	**56,032**	**960,390**
Additions	**21,280**	**38,323**	**9,945**	**12,425**	**149,773**	**231,746**
Transfer from property held for sale	**44,111**	**–**	**–**	**–**	**–**	**44,111**
Transfer	**9,694**	**1,702**	**–**	**1,421**	**(12,817)**	**–**
Disposals	**(5,615)**	**(5,471)**	**(1,299)**	**(341)**	**–**	**(12,726)**
Depreciation charge	**(48,121)**	**(37,015)**	**(14,523)**	**(13,644)**	**–**	**(113,303)**
Closing net book amount	**663,249**	**203,718**	**31,426**	**18,837**	**192,988**	**1,110,218**
At 31 December 2012						
Cost	**964,705**	**400,407**	**118,336**	**185,009**	**192,988**	**1,861,445**
Accumulated depreciation	**(301,456)**	**(196,689)**	**(86,910)**	**(166,172)**	**–**	**(751,227)**
Net book amount	**663,249**	**203,718**	**31,426**	**18,837**	**192,988**	**1,110,218**

7 Property, plant and equipment (continued)

Depreciation expenses of RMB57,107,000 (2011: RMB56,444,000) and RMB56,196,000 (2011: RMB52,126,000) has been expensed in cost of sales and administrative expenses, respectively.

As at 31 December 2012, there were no property, plant and equipment pledged as collateral for the Group's bank borrowings (2011: RMB47,227,000) (Note 28(a)).

Buildings and plants and machinery leased by the Group to third parties under operating leases with the following carrying amounts:

	2012 **RMB'000**	2011 RMB'000
Cost	**143,299**	89,582
Accumulated depreciation at 1 January	**(40,491)**	(34,475)
Depreciation charge for the year	**(5,640)**	(4,931)
Net book amount	**97,168**	50,176

7 Property, plant and equipment (continued)

Company

	Buildings and plants RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
At 1 January 2011				
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
Year ended 31 December 2012				
Opening net book amount	**25,890**	**299**	**2,541**	**28,730**
Additions	**–**	**–**	**97**	**97**
Depreciation charge	**(1,533)**	**(1)**	**(1,765)**	**(3,299)**
Closing net book amount	**24,357**	**298**	**873**	**25,528**
At 31 December 2012				
Cost	**33,464**	**5,964**	**6,425**	**45,853**
Accumulated depreciation	**(9,107)**	**(5,666)**	**(5,552)**	**(20,325)**
Net book amount	**24,357**	**298**	**873**	**25,528**

Depreciation expenses of RMB3,299,000 (2011: RMB3,425,000) 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"). 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 15%. 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 2012, no impairment provision is required.

9 Investment in and balances with subsidiaries – Company

	2012 **RMB'000**	2011 RMB'000
Investment at cost, unlisted	**814,453**	814,453
Amounts due from subsidiaries	**800,955**	772,866

The amounts due from subsidiaries are unsecured, interest free and are repayable on demand. As at 31 December 2012, the amounts due from subsidiaries are not impaired.

The following is a list of the principal subsidiaries as at 31 December 2012, all of which are limited liability companies incorporated and operating in the PRC, except for Baoye Hubei Construction Engineering Group Co., Ltd., which also operates in African countries:

Name	**Attributable equity interest held** Directly	 Indirectly	**Registered capital** RMB'000	**Principal activities**
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 – Company (continued)

Name	Attributable equity interest held Directly	Attributable equity interest held Indirectly	Registered capital RMB'000	Principal activities
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 – Company (continued)

Name	Attributable equity interest held Directly	Indirectly	Registered capital RMB'000	Principal activities
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
湖北省建工第二建設有限公司 Hubei Construction Engineering No.2 Co., Ltd.	–	99.9%	81,800	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

9 Investment in and balances with subsidiaries – Company (continued)

Name	Attributable equity interest held Directly	Indirectly	Registered capital RMB'000	Principal activities
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
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

9 Investment in and balances with subsidiaries – Company (continued)

Name	Attributable equity interest held		Registered capital	Principal activities
	Directly	Indirectly	RMB'000	
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
蒙城寶業投資有限公司 Mengcheng Baoye Investment Co., Ltd (a)	–	50%	20,000	Development and sales of properties

(a) Although the Group owns 50% of the equity interest in Mengcheng Baoye Investment Co., Ltd ("Mengcheng Baoye"), it is able to gain power over two-third of the voting rights by virtue of an agreement with other investors. Consequently, the Group consolidates Mengcheng Baoye.

10 Investment in and loan to jointly controlled entity

(a) Investment in jointly controlled entity

Group

The Group has a 49% equity interest in a 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	Share of loss	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2011	49,000	(12,265)	36,735
Addition	–	(27,976)	(27,976)
At 31 December 2011	**49,000**	**(40,241)**	**8,759**
Addition	**–**	**(8,759)**	**(8,759)**
At 31 December 2012	**49,000**	**(49,000)**	**–**

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

(a) Investment in jointly controlled entity (continued)

Group (continued)

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

	2012 RMB'000	2011 RMB'000
Assets		
Non-current assets	**31,031**	22,912
Current assets	**560,595**	293,497
	591,626	316,409
Liabilities		
Non-current liabilities	**257,153**	273,057
Current liabilities	**340,376**	34,593
	597,529	307,650
Net assets	**(5,903)**	8,759
Revenue	**217,807**	304,513
Cost	**(231,043)**	(337,629)
Expense	**(6,314)**	(4,185)
Income tax credit	**4,888**	9,325
Loss after income tax	**(14,662)**	(27,976)

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

Company

	2012 RMB'000	2011 RMB'000
Investment at cost, unlisted	**49,000**	49,000

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

(b) Loan to jointly controlled entity

	Group RMB'000	Company RMB'000
At 1 January 2011	103,187	243,222
Addition	86,570	86,570
Interest accrued	–	18,392
At 31 December 2011	**189,757**	**348,184**
Addition	**39,000**	**39,000**
Interest accrued	**–**	**26,176**
Loss exceeds interests in jointly controlled entity	**(5,903)**	**–**
At 31 December 2012	**222,854**	**413,360**

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 6.67% per annum in 2012 (2011: 7.34%) and the Group did not intend to withdraw the advances within one year.

During the year, interest incurred on the various advances amounting to RMB26,176,000 (2011: RMB18,392,000) 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 and loan to associates – Group

(a) Investment in associates

	2012 RMB'000	2011 RMB'000
At 1 January	**2,857**	2,555
Acquisition of associates	**30,517**	–
Share of (losses)/gains	**(5,486)**	302
At 31 December	**27,888**	2,857

11 Investment in and loan to associates – Group (continued)

(a) Investment in associates (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%
西偉德寶業快可美建築材料(合肥)有限公司 Sievert Baoye Quick-Mix Building Materials (Hefei) Co., Ltd.	29%
西偉德寶業混凝土預製件(合肥)有限公司 Sievert Baoye Concrete Precast Elements (Hefei) Co., Ltd.	29%

(b) Loan to associates

	2012 RMB'000	2011 RMB'000
At 1 January	**–**	–
Addition	**34,600**	–
Interest accured	**1,068**	–
At 31 December	**35,668**	–

During the year, the Group made advances to associates in the amount of RMB34,600,000. These advances are required to be repaid within 2 years, bearing interest at 4% per annum.

12 Financial instruments by category

		Group		Company
			Available-for-sale	
		Loans and	financial	Loans and
		receivables	assets	receivables
	Notes	RMB'000	RMB'000	RMB'000
Assets				
At 31 December 2012				
Available-for-sale financial assets	13	**–**	**68,429**	**–**
Trade receivables	18	**1,291,836**	**–**	**–**
Other receivables (excluding prepayments)	19	**1,254,999**	**–**	**2,760**
Amounts due from subsidiaries	9	**–**	**–**	**800,955**
Loan to jointly controlled entity	10(b)	**222,854**	**–**	**413,360**
Loan to associates	11(b)	**35,668**	**–**	**–**
Restricted bank deposits	20	**213,196**	**–**	**–**
Cash and cash equivalents	21	**1,612,551**	**–**	**29,003**
Total		**4,631,104**	**68,429**	**1,246,078**
At 31 December 2011				
Available-for-sale financial assets	13	–	11,479	–
Trade receivables	18	935,965	–	–
Other receivables (excluding prepayments)	19	1,183,953	–	2,417
Amounts due from subsidiaries	9	–	–	772,866
Loan to jointly controlled entity	10(b)	189,757	–	348,184
Restricted bank deposits	20	527,521	–	–
Cash and cash equivalents	21	1,878,422	–	77,535
Total		4,715,618	11,479	1,201,002

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 2012			
Trade payables	25	**1,858,504**	**–**
Other payables and accruals (excluding other tax payables and salaries payables)	26	**1,375,447**	**4,867**
Borrowings	28	**845,000**	**–**
Total		**4,078,951**	**4,867**
At 31 December 2011			
Trade payables	25	1,736,606	–
Other payables and accruals (excluding other tax payables and salaries payables)	26	956,742	4,604
Borrowings	28	1,609,900	–
Total		4,303,248	4,604

13 Available-for-sale financial assets – Group

	2012 RMB'000	2011 RMB'000
At 1 January	**11,479**	12,849
Additions	**56,000**	–
Net gains/(losses) recognised in other comprehensive income	**950**	(1,370)
At 31 December	**68,429**	11,479

13 Available-for-sale financial assets – Group (continued)

Available-for-sale financial assets include the following:

	2012 RMB'000	2011 RMB'000
Non-current:		
Listed:		
– Equity securities – the PRC	**6,769**	6,139
Unlisted:		
– Equity securities – the PRC	**5,340**	5,340
	12,109	11,479
Current:		
– Short-term investments (Note(a))	**56,320**	–
	68,429	11,479

Note:

(a) As at 31 December 2012, the amount represents short-term investments placed in certain PRC state-owned banking institutions with maturity within 3 months and non-determinable return rate, the fair values of these investments are based on average estimated return rate of 2.63% (2011: Nil).

The maximum exposure to credit risk at the reporting date is the carrying value of these investments. These investments are all denominated in RMB.

14 Inventories – Group

	2012 RMB'000	2011 RMB'000
At cost:		
Raw materials	**73,692**	71,013
Work in progress	**17,386**	31,110
Finished goods	**34,703**	41,788
	125,781	143,911

The cost of inventories recognised as cost of sales amounted to RMB1,562,986,000 (2011: RMB1,297,494,000). No inventory provision was made as at 31 December 2012 and 2011.

15 Properties under development – Group

	2012 **RMB'000**	2011 RMB'000
Land use rights	**2,502,120**	2,070,908
Development costs	**875,322**	787,867
Finance costs capitalised	**73,147**	112,336
	3,450,589	2,971,111

The carrying value of the properties under development is expected to be completed as follows:

	2012 **RMB'000**	2011 RMB'000
Within the normal operating cycle included under current assets		
– to be completed over one year	**1,869,453**	1,130,879
– to be completed within one year	**1,581,136**	1,471,103
	3,450,589	2,601,982
Beyond normal operating cycle included under non-current assets	**–**	369,129
	3,450,589	2,971,111

As at 31 December 2012, total carrying value of properties under development pledged as security for the Group's bank borrowings amounted to RMB529,845,000 (2011: RMB524,579,000) (Note 28(a)).

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

	2012 **RMB'000**	2011 RMB'000
Outside Hong Kong, held on:		
Leases of over 50 years	**1,088,646**	1,480,803
Leases of between 10 to 50 years	**1,413,474**	590,105
	2,502,120	2,070,908

16 Completed properties held for sale – Group

	2012 **RMB'000**	2011 RMB'000
Land use rights	**477,857**	152,556
Development costs	**733,372**	462,807
Finance costs capitalised	**17,953**	4,918
	1,229,182	620,281

The amount of completed properties held for sale is expected to be recovered within one year.

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

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

	2012 **RMB'000**	2011 RMB'000
Contract costs incurred plus recognised profits		
(less recognised losses) to date	**46,551,178**	40,534,486
Less: progress billings to date	**(46,283,349)**	(40,414,664)
	267,829	119,822
Represented by:		
Due from customers on construction contracts	**1,976,693**	1,685,703
Due to customers on construction contracts	**(1,708,864)**	(1,565,881)
	267,829	119,822

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 2012, retentions and project deposits held by customers for contract work included in other receivables of the Group amounted to RMB944,466,000 (2011: RMB883,578,000) (Note 19).

18 Trade receivables – Group

	2012 **RMB'000**	2011 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 instalment 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 **RMB'000**	2011 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

Trade receivables that are less than 12 months past due are not considered impaired. As of 31 December 2012, trade receivables of RMB193,469,000 (2011: RMB142,803,000) 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:

	2012 **RMB'000**	2011 RMB'000
1 to 2 years	**124,482**	73,083
2 to 3 years	**56,637**	45,664
Over 3 years	**12,350**	24,056
	193,469	142,803

18 Trade receivables – Group (continued)

As of 31 December 2012, trade receivables of RMB54,442,000 (2011: RMB46,576,000) were impaired. The amount of the provision was RMB48,217,000 as of 31 December 2012 (2011: RMB36,409,000). 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:

	2012 RMB'000	2011 RMB'000
1 to 2 years	**4,405**	2,429
2 to 3 years	**9,319**	18,838
Over 3 years	**40,718**	25,309
	54,442	46,576

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

	2012 RMB'000	2011 RMB'000
At 1 January	**36,409**	24,665
Creation of provision	**11,808**	11,744
At 31 December	**48,217**	36,409

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:

	2012 RMB'000	2011 RMB'000
Denominated in:		
– RMB	**1,247,699**	894,794
– USD	**44,137**	41,171
	1,291,836	935,965

19 Other receivables

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Retention money and project deposits	**944,466**	883,578	**–**	–
Prepayments for land use rights for properties development	**405,203**	1,108,480	**–**	–
Other prepayments	**61,661**	78,066	**–**	–
Others	**310,533**	300,375	**2,760**	2,417
	1,721,863	2,370,499	**2,760**	2,417

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:

	2012	2011
	RMB'000	RMB'000
Denominated in:		
– RMB	**1,715,740**	2,367,086
– DJF	**2,872**	1,009
– BWP	**3,200**	2,324
– SCR	**51**	80
	1,721,863	2,370,499

As of 31 December 2012, the amount of other receivable expected to be recovered after more than one year is RMB661,943,000 (2011: RMB655,054,000). The remaining balance is expected to be recovered within one year.

20 Restricted bank deposits – Group

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

As at 31 December 2012, there is no restricted bank deposits pledged as collateral for the Group's bank borrowings (2011: RMB250,000,000) (Note 28(a)).

21 Cash and cash equivalents

	Group 2012 RMB'000	Group 2011 RMB'000	Company 2012 RMB'000	Company 2011 RMB'000
Cash at bank and in hand	**1,770,383**	2,100,844	**29,003**	77,535
Bank deposits	**55,364**	305,099	**–**	250,000
	1,825,747	2,405,943	**29,003**	327,535
Denominated in:				
– RMB	**1,784,744**	2,362,546	**28,877**	326,755
– USD	**28,037**	14,417	**–**	–
– DJF	**5,456**	21,270	**–**	–
– BWP	**4,501**	5,654	**–**	–
– SCR	**903**	971	**–**	–
– Other currencies	**2,106**	1,085	**126**	780
	1,825,747	2,405,943	**29,003**	327,535
Less: Restricted bank deposits (Note 20)	**(213,196)**	(527,521)	**–**	(250,000)
	1,612,551	1,878,422	**29,003**	77,535

The effective interest rate as at 31 December 2012 of the short-term bank deposits of the Group is 1.28% (2011: 1.45%), and these deposits have had original maturities of three months or less.

22 Share capital and premium

	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2011, 31 December 2011 and 2012	662,964	847,295	1,510,259

As at 31 December 2012, the total authorised number of ordinary shares is 662,964,005 shares (2011: 662,964,005 shares) with a par value of RMB1.00 per share (2011: RMB1.00 per share). All issued shares are fully paid.

23 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 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 29)	–	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 (Note 13)	**–**	**950**	**–**	**–**	**950**
Revaluation – tax (Note 29)	**–**	**(238)**	**–**	**–**	**(238)**
Disposal of interest in subsidiary without loss of control (Note 41)	**–**	**–**	**–**	**2,508**	**2,508**
Balance at 31 December 2012	**2,909**	**3,816**	**140,096**	**(11,079)**	**135,742**

23 Reserves (continued)

Company

	Statutory surplus reserve (Note (b)) 2012 RMB'000	2011 RMB'000
Balance at 1 January	**123,199**	100,990
Appropriation from retained earnings	**16,897**	22,209
Balance at 31 December	**140,096**	123,199

Notes:

(a) ***Assets revaluation reserve***

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

(b) ***Statutory surplus reserve***

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

24 Retained earnings

	Group RMB'000	Company RMB'000
At 1 January 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
At 1 January 2012	**2,744,064**	**438,570**
Profit for the year	**752,256**	**174,502**
Dividends paid	**(139,222)**	**(139,222)**
Transfer to statutory surplus reserve	**(16,897)**	**(16,897)**
At 31 December 2012	**3,340,201**	**456,953**

As at 31 December 2012, included in retained earnings of the Group, RMB316,028,000 is surplus reserve of subsidiaries attributable to the Company (31 December 2011: RMB270,812,000), of which RMB45,216,000 is appropriated for the current year (2011: RMB54,360,000).

25 Trade payables – Group

As at 31 December 2012, the ageing analysis of the 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

26 Other payables

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Deposits from project managers	**842,926**	547,718	**–**	–
Other taxes payables	**203,880**	212,409	**20,453**	16,205
Due to non-controlling interests (Note(a))	**107,750**	–	**–**	–
Accruals	**5,538**	5,377	**–**	–
Salaries payables	**82,350**	77,415	**–**	–
Others	**419,233**	403,647	**4,867**	4,604
	1,661,677	1,246,566	**25,320**	20,809

Note:

(a) Amounts due to non-controlling interests are unsecured, interest free and repayable on demand.

27 Receipts in advance

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

28 Borrowings – Group

	2012 **RMB'000**	2011 RMB'000
Non-current liabilities		
Long-term bank borrowings		
– Secured (Note (a))	**190,000**	140,000
– Guarantee by the companies within the Group	**–**	70,000
	190,000	210,000
Current liabilities		
Short-term bank borrowings		
– Secured (Note (a))	**25,000**	365,000
– Unsecured with guarantee (Note (b))	**225,000**	350,000
– Guarantee by the companies within the Group	**405,000**	684,900
	655,000	1,399,900
	845,000	1,609,900

Notes:

(a) As at 31 December 2012, secured bank borrowings of the Group were secured by:

	2012 **RMB'000**	2011 RMB'000
Land use rights	**36,875**	95,915
Property, plant and equipment	**–**	47,227
Properties under development	**529,845**	524,579
Restricted bank deposits	**–**	250,000
	566,720	917,721

28 Borrowings – Group (continued)

Notes: (continued)

(b) These loans are guaranteed by:

	2012 RMB'000	2011 RMB'000
Mr. Pang Baogen and the Company (jointly)	**225,000**	350,000

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:

	2012 RMB'000	2011 RMB'000
Within 1 year	**655,000**	1,399,900
Between 1 and 2 years	**190,000**	70,000
Between 2 and 5 years	**–**	140,000
	845,000	1,609,900

The weighted average effective interest rates were as follows:

	2012	2011
Bank borrowings	**5.85%**	6.19%

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

29 Deferred income tax – Group

The amounts shown in the balance sheet include the following:

	2012 RMB'000	2011 RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**39,326**	173,820
– Deferred tax assets to be recovered within 12 months	**14,277**	18,291
	53,603	192,111
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**(21,342)**	(23,667)
– Deferred tax liabilities to be settled within 12 months	**(16,453)**	(15,243)
	(37,795)	(38,910)
Deferred tax assets – net	**15,808**	153,201

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 intergroup transactions RMB'000	Total RMB'000
At 1 January 2011	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**
Recognised in the income statement	**1,987**	**(140,495)**	**(138,508)**
At 31 December 2012	**16,461**	**37,142**	**53,603**

29 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 2011	(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)**
Recognised in the income statement	**–**	**1,159**	**194**	**1,353**
Recognised in other comprehensive income	**(238)**	**–**	**–**	**(238)**
At 31 December 2012	**(1,274)**	**(19,226)**	**(17,295)**	**(37,795)**

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 RMB737,640,000 (2011: RMB749,770,000) that can be carried forward against future taxable income. These tax losses will expire up to and including 2017 (2011: 2016).

30 Other income

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

31 Other gains – net

	2012 RMB'000	2011 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

32 Expenses by nature

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

	2012 RMB'000	2011 RMB'000
Depreciation of property, plant and equipment (Note 7)	**113,303**	108,570
Amortisation of land use rights (Note 6)	**13,183**	13,014
Employee benefit expenses (Note 33)	**3,769,414**	2,553,662
Cost of construction contracts	**9,630,958**	9,226,801
Cost of properties sold	**967,956**	1,840,681
Cost of inventories sold	**1,562,986**	1,297,494
Operating leases of buildings	**12,497**	9,339
Auditors' remuneration	**3,200**	3,000
Others	**182,377**	201,680
	16,255,874	15,254,241

33 Employee benefit expenses

	2012 RMB'000	2011 RMB'000
Wages and salaries	**3,702,491**	2,503,976
Welfare, medical and other expenses	**47,304**	35,159
Retirement benefit costs – defined contribution plans (Note(a))	**19,619**	14,527
	3,769,414	2,553,662

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% (2011: 18% to 20%) of the eligible salary of its employees on a monthly basis. The state-sponsored retirement scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the monthly contributions.

(b) **Directors', supervisors' and chief executive's emoluments**

The remuneration of each director and supervisor for the year ended 31 December 2012 is set out below:

Name of directors/ supervisors/chief executive	Fees RMB'000	Salaries, bonuses and allowances RMB'000	Retirement benefits RMB'000	Total RMB'000
Mr. Pang Baogen (note(i))	–	900	5	905
Mr. Gao Lin	–	900	5	905
Mr. Gao Jiming	–	650	5	655
Mr. Gao Jun	–	650	21	671
Mr. Jin Jixiang	–	650	5	655
Mr. Chan Yin Ming, Dennis	180	–	–	180
Mr. Wang Youqing	50	–	–	50
Mr. Zhao Rulong	50	–	–	50
Mr. Fung Ching, Simon	180	–	–	180
Mr. Kong Xiangquan	–	549	5	554
Mr. Qian Yongjiang	–	547	5	552
Mr. Yuan Ajin	50	–	–	50
Mr. Zhang Xindao	50	–	–	50
Mr. Li Yongsheng	50	–	–	50
	610	4,846	51	5,507

33 Employee benefit expenses (continued)

(b) Directors', supervisors' and chief executive's emoluments (continued)

The remuneration of each director and supervisor for the year ended 31 December 2011 is set out below:

Name of directors/ supervisors/chief executive	Fees RMB'000	Salaries, bonuses and allowances RMB'000	Retirement benefits RMB'000	Total RMB'000
Mr. Pang Baogen (note(i))	–	900	4	904
Mr. Gao Lin	–	900	4	904
Mr. Gao Jiming	–	650	4	654
Mr. Gao Jun (note(iii))	–	350	9	359
Mr. Wang Rongfu (note(ii))	–	350	4	354
Mr. Jin Jixiang (note(iii))	–	350	4	354
Mr. Zhou Hanwan (note(ii))	–	250	4	254
Mr. Hu Shaozeng (note(ii))	20	–	–	20
Mr. Wang Youwei (note(ii))	20	–	–	20
Mr. Yi Deqing (note(ii))	20	–	–	20
Mr. Chan Yin Ming, Dennis	180	–	–	180
Mr. Wang Youqing	50	–	–	50
Mr. Zhao Rulong (note(iii))	25	–	–	25
Mr. Fung Ching, Simon (note(iii))	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

Notes:

(i) Mr. Pang Baogen is the Chairman of the Board, as well as the Chief executive of the Group.

(ii) 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.

(iii) During the year ended 31 December 2011, Mr. Gao Jun and Mr. Jin Jixiang were appointed as executive director, 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 years ended 31 December 2012 and 2011, 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 2012 and 2011.

(c) Five highest paid individuals

For the year of 2012, the 5 individuals whose emoluments were the highest in the Group for the year were all directors (2011: 3 directors and 2 supervisors) whose emoluments are reflected in the analysis presented above.

34 Finance costs

	2012 RMB'000	2011 RMB'000
Interest on borrowings wholly repayable within five years	**89,518**	32,873
Less: interest capitalised in properties under development	**(89,518)**	(32,873)
	–	–

The capitalisation rate applied to funds borrowed generally and used for the development of properties (2011: development of properties) was approximately 6.7% (2011: 6.1%) per annum.

35 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 RMB'000	2011 RMB'000
Current income tax		
– PRC CIT	**237,597**	288,069
– PRC land appreciation tax	**51,290**	216,177
Deferred income tax, net (Note 29)		
– PRC CIT	**46,080**	(64,824)
– PRC land appreciation tax	**91,075**	(105,657)
	426,042	333,765

35 Income tax expense (continued)

(c) PRC land appreciation tax (continued)

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

	2012 RMB'000	2011 RMB'000
Profit before income tax	**1,182,621**	1,049,608
Add: share of loss/(gain) of associates	**5,486**	(302)
share of loss of jointly controlled entity	**14,662**	27,976
	1,202,769	1,077,282
Calculated at a tax rate of 25% (2011: 25%)	**300,692**	269,321
Income not subject to tax	**(161)**	(5,139)
Expenses not deductible for tax purposes	**4,876**	1,435
Unrecognised tax losses	**16,406**	9,241
Utilisation of previously unrecognised tax losses	**(2,545)**	(23,983)
PRC land appreciation tax deductible for PRC corporate income tax purpose	**(35,591)**	(27,630)
	283,677	223,245
PRC land appreciation tax	**142,365**	110,520
Income tax expense	**426,042**	333,765

36 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.

37 Dividends

	2012 RMB'000	2011 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 and RMB106,074,000 (RMB0.16 per ordinary share) for 2010 were paid in 2012 and 2011, respectively.

38 Cash generated from operations

	2012 RMB'000	2011 RMB'000
Profit for the year	**756,579**	715,843
Adjustments for:		
Income tax expense (Note 35)	**426,042**	333,765
Depreciation (Note 7)	**113,303**	108,570
Amortisation of land use rights (Note 6)	**13,183**	13,014
Losses/(Gains) on disposals of property, plant and equipment (Note 31)	**2,203**	(12,692)
Gains on disposals of land use rights (Note 31)	**(26,059)**	–
Transfer of reserve to income statement upon sales of revaluated properties	**(1,206)**	(5,221)
Interest income	**(127,389)**	(99,748)
Share of loss/(gain) from associates (Note 11)	**5,486**	(302)
Share of loss from jointly controlled entity (Note 10)	**14,662**	27,976
Changes in working capital:		
(Increase)/Decrease in properties under development and completed properties held for sale	**(1,051,428)**	220,062
Decrease/(Increase) in restricted bank deposits	**64,325**	(176,252)
Decrease/(Increase) in inventories	**18,130**	(37,263)
(Increase)/Decrease in balances with customers on construction contracts	**(148,007)**	309,258
Decrease/(Increase) in trade and other receivables	**292,765**	(1,445,888)
Increase/(Decrease) in receipts in advance	**86,077**	(968,731)
Increase in trade and other payables	**429,259**	710,516
Cash generated from/(used in) operations	**867,925**	(307,093)

39 Financial guarantee

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	**255,736**	256,592	**–**	–
Guarantees given to banks in respect of bank loans granted to subsidiaries	**–**	–	**605,000**	1,099,500

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.

40 Commitments

(a) Commitments for properties under development and construction in progress

	2012	2011
	RMB'000	RMB'000
Contracted but not provided for	**1,066,379**	1,769,103

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

As at 31 December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings and plants and machinery, details of which are as follows:

	2012	2011
	RMB'000	RMB'000
Not later than one year	**2,867**	2,811
Later than one year and not later than five years	**5,863**	5,703
Later than five years	**–**	136
	8,730	8,650

40 Commitments (continued)

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

As at 31 December 2012, the Group had future aggregate minimum lease receivable under non-cancellable operating leases in respect of building and plants and machinery, details of which are as follows:

	2012 RMB'000	2011 RMB'000
Not later than one year	**10,911**	9,770
Later than one year and not later than five years	**21,050**	24,554
Later than five years	**–**	488
	31,961	34,812

The Group leases building and plants and machinery under various agreements which terminate between 2012 and 2017. The agreements do not include an extension option.

41 Transaction with non-controlling interests

(a) Disposal of interest in a subsidiary without loss of control

On 10 July 2012, the Group disposed of 20% of interest in Henan Dajiang Water Company Limited ("Dajiang Water") at a consideration of RMB16,000,000. The carrying amount of the non-controlling interests in Dajiang Water on the date of disposal was RMB13,492,000. The Group recognised an increase in non-controlling interests of RMB16,000,000 and an increase in equity attributable to owners of the company of RMB2,508,000. The effect of changes in the ownership interest of Dajiang Water on the equity attributable to owners of the company during the year is summarised as follows:

	2012 RMB'000
Total consideration received from non-controlling interests	**16,000**
Total carrying amount of non-controlling interests disposed of	**(13,492)**
Gain on disposal within equity	**2,508**

41 Transaction with non-controlling interests (continued)

(b) Effects of transaction with non-controlling interests on the equity attributable to owners of the company for the year ended 31 December 2012

	RMB'000
Total comprehensive income for the year attributable to the equity holders of the Company	**752,256**
Changes in equity attributable to the equity holders of the Company arising from Disposal of interests in subsidiary without loss of control	**2,508**
	754,764

42 Related-party transactions

Apart from the related party balances disclosed in Note 10, Note11 and Note 26 and related party transactions disclosed in Note 28(b), the Group had no other significant related party transactions during the year ended 31 December 2012.

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

43 Events after the balance sheet date

On 22 February 2013, the Company entered into a Jointly Controlled Entity Agreement with Daiwa House (PRC) Investment Company Limited (the "Daiwa PRC"), a wholly owned subsidiary of Daiwa House Industry Co., Ltd., in relation to the establishment of a Jointly Controlled Entity, Baoye Daiwa Industrailised House Manufacturing Company Limited (the "Baoye Daiwa"), which will be principally engaged in the production, sales, construction and design consultation, research and development of parts used in industrialised residential housing. The total registered capital of Baoye Daiwa will be RMB100,000,000 and will be contributed as to 50% (RMB50,000,000) by the Company and as to 50% (RMB50,000,000) by Daiwa PRC.

Definitions

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

AGM	Annual General Meeting of the Company held on 16 June 2013
Anhui Baoye	Baoye Anhui Company Limited, a subsidiary of the Company
Baoye Daiwa	Baoye Daiwa Industrialised House Manufacturing Company Limited
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 of the Company
Building Materials Business	The activities of research and development, production and sale of building materials conducted by the Group
CG Code	The Corporate Governance Code contained in Appendix 14 to the Listing Rules
Company Law	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
HKFRS	Hong Kong Financial Reporting Standards
HKAS	Hong Kong Accounting Standards

Hubei Baoye	Baoye Hubei Construction Engineering 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 the Hong Kong Special Administrative Region of the PRC, 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
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
Mr. Jin Jixiang

Non-executive Director

Mr. Fung Ching, Simon

Independent Non-executive Directors

Mr. Chan Yin Ming, Dennis
Mr. Wang Youqing
Mr. Zhao Rulong

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
5016 Shennan East Road
Luohu District
Shenzhen, the PRC
Post Code: 518001

Legal Advisers

As to Hong Kong law

King & Wood Mallesons
9/F, Hutchison House
10 Harcourt Road
Central, Hong Kong

As to PRC law

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

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
Pingan Bank Company Limited

Registered Address

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

Correspondence Address in Hong Kong

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

Headquater Address

No.501 Shanyin West Road, Keqiao
Shaoxing County,
Zhejiang Province, the PRC
Post Code: 312030

Authorised Representatives

Mr. Pang Baogen
Mr. Gao Jiming

Stock Code

HKEx (2355)

Contact

Investor Relations Department
Tel: 86 575 84135837
Fax: 86 575 84118792
E-mail: irbaoye@baoyegroup.com

Website

www.baoyegroup.com

CONTACT 聯絡方式

Investor Relations Department
Baoye Group Company Limited
寶業集團股份有限公司
投資者關係部

Tel 電話: 86-575-84135837
Fax 傳真: 86-575-84118792
E-mail 電郵: irbaoye@baoyegroup.com

WEBSITE 網址
www.baoyegroup.com