

# 2004 INTERIM REPORT



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



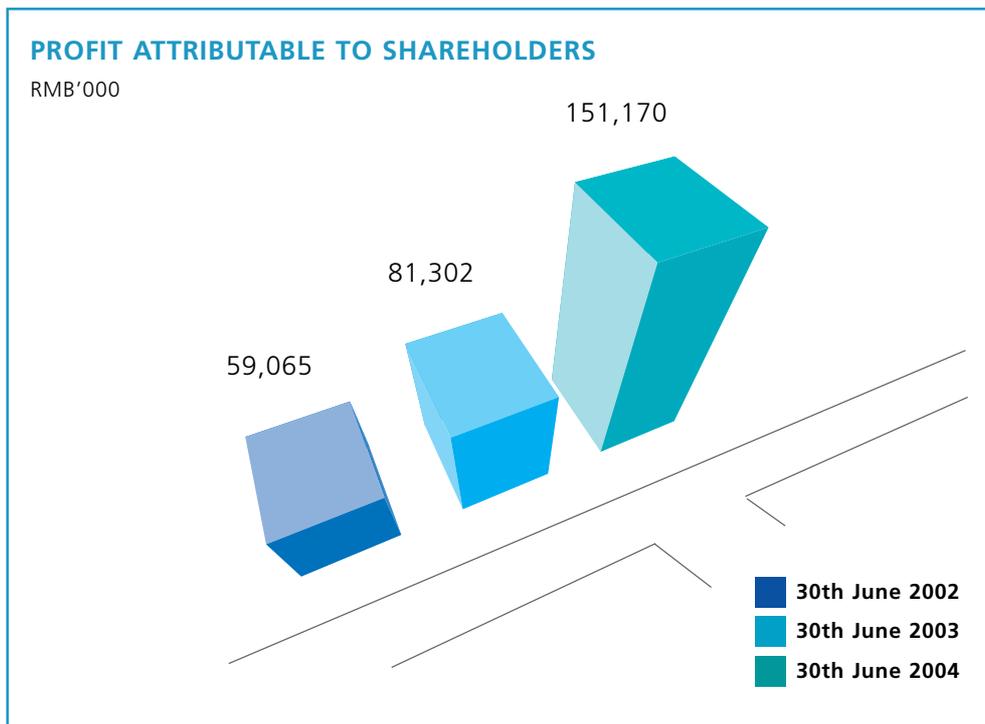
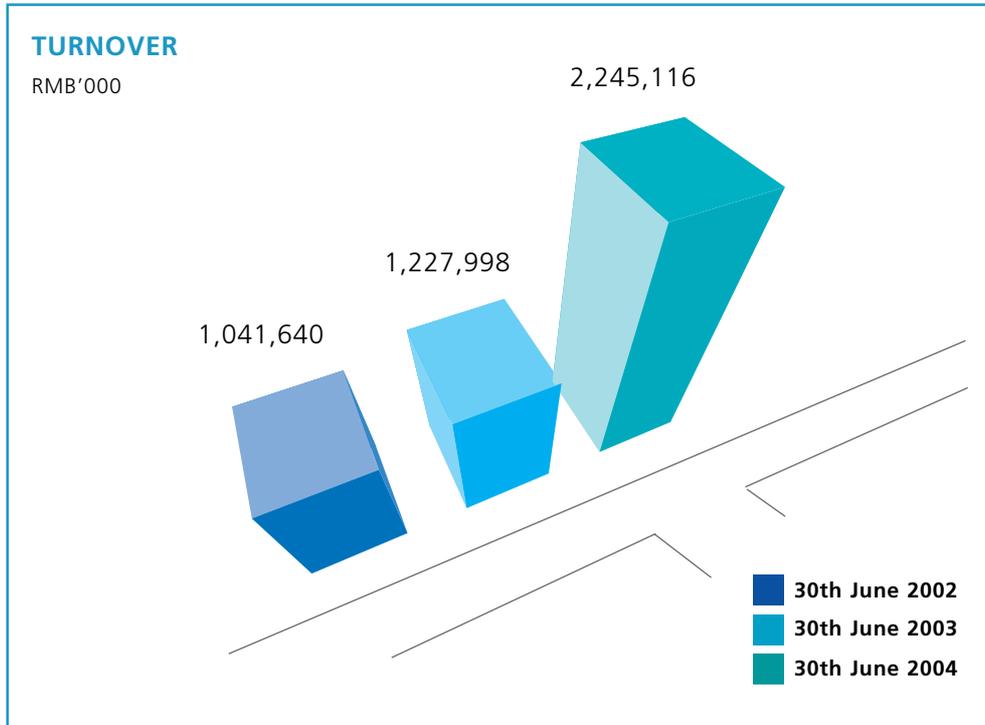
衝破同構  
追求異質

## CONTENTS

2	Highlights
4	Unaudited interim condensed accounts
4	Condensed consolidated profit and loss account
5	Condensed consolidated balance sheet
6	Condensed consolidated statement of changes in equity
7	Condensed consolidated cash flow statement
8	Notes to the condensed accounts
19	Management discussion and analysis
19	Results
19	PRC's macroeconomic environment
19	Business review
	Construction business
	Real estate business
	Building materials business
25	Prospects
25	Financial review
26	Corporate governance
27	Investor relations
27	Compliance with the Code of Best Practice of Listing Rules
27	Other information
31	Information for shareholders
32	Definitions

**HIGHLIGHTS**

(unaudited figures)



## BUSINESS REVIEW

- For the six months ended 30th June 2004, the Group's turnover was RMB2,245,116,000, representing an increase of approximately 82.8% over the corresponding period in 2003, whereas profit attributable to shareholders was RMB151,170,000, representing an increase of approximately 85.9% over the corresponding period in 2003.
- The sales of Guazhu Fengqing, a property located in Shaoxing, was recognised during the period, resulting in a turnover of RMB261,229,000 for the period.
- During the period, the Group completed 80 construction projects, which recorded a turnover of RMB2,049,255,000, representing an increase of approximately 83.5% over the corresponding period in 2003. The Group also undertook 189 new construction contracts with an amount of RMB2,784,660,000, representing an increase of approximately 21.23% over the corresponding period in 2003.

## CORPORATE GOVERNANCE

- Appointed a qualified Hong Kong accountant as the chief financial officer of the Group; and nominated a financial expert with rich experience in international financial management as the Company's independent non-executive director.

## RETURNS TO SHAREHOLDERS

- With the steady development in the PRC, the Board is confident that, barring any unforeseen circumstances, a substantial improvement in turnover and profit should be achieved in the current year, in which case, dividend payment will be increased accordingly.

## PROSPECTS

- Regulations and controls of the economy by the PRC government has slowed down the growth in social fixed assets investment, but it has also provided greater regulation of market activity. The Group, with Premium Class Qualification Certificate (特級資質), is not only unaffected by the recent government control measurement but also takes this opportunity to integrate its operations and strengthen its position in the market.
- The Group is looking for opportunities to acquire construction companies with First-Class Qualification Certificate from other provinces in order to expedite the expansion of the construction business across the country.
- As the construction and building materials industry and the real estate industry have had a positive impact on one another, the Group has been able to maintain the highest profit margins in the property development sector.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT***For the six months ended 30th June 2004*

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th June</b>	
	<i>Notes</i>	<b>2004</b>	<b>2003</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Turnover	3	<b>2,245,116</b>	1,227,998
Cost of sales		<b>(1,977,292)</b>	(1,087,641)
Gross profit		<b>267,824</b>	140,357
Other revenues		<b>15,252</b>	20,498
Distribution, administrative and other operating expenses		<b>(48,998)</b>	(28,178)
Operating profit	4	<b>234,078</b>	132,677
Finance costs		<b>(10,174)</b>	(8,138)
Share of loss of a jointly controlled entity		<b>(299)</b>	(144)
Profit before taxation		<b>223,605</b>	124,395
Taxation	5	<b>(70,305)</b>	(36,905)
Profit after taxation		<b>153,300</b>	87,490
Minority interests		<b>(2,130)</b>	(6,188)
Profit attributable to shareholders		<b>151,170</b>	81,302
Basic earnings per share	7	<b>RMB0.28</b>	RMB0.23

### CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2004 and 31st December 2003

	Notes	Unaudited 30th June 2004 RMB'000	Audited 31st December 2003 RMB'000
<b>Non-current assets</b>			
Fixed assets	8	458,480	324,147
Properties held for development		483	151,483
Properties under development		384,122	249,860
Investment in a jointly controlled entity		98,882	44,182
Deferred tax assets	15	6,835	6,273
		<b>948,802</b>	775,945
<b>Current assets</b>			
Inventories		22,921	19,852
Properties under development		299,881	247,194
Completed properties held for sale		31,027	19,765
Due from customers on construction contracts	9	359,813	234,852
Amounts due from related parties		16,267	15,527
Trade and other receivables	10	1,008,986	727,601
Bank balances and cash		441,177	498,692
		<b>2,180,072</b>	1,763,483
<b>Current liabilities</b>			
Trade and other payables	11	565,903	459,524
Receipts in advance		318,282	339,570
Taxation payable		65,888	71,886
Due to customers on construction contracts	9	306,401	211,784
Amounts due to related parties		318	318
Amounts due to shareholders		6,732	11,840
Amount due to a former subsidiary		–	1,500
Dividends payable		33,746	–
Provision for warranty	12	6,120	5,000
Short-term bank loans	13	812,000	542,950
		<b>2,115,390</b>	1,644,372
<b>Net current assets</b>			
		<b>64,682</b>	119,111
<b>Total assets less current liabilities</b>			
		<b>1,013,484</b>	895,056
<b>Financed by:</b>			
Share capital	14	531,426	531,426
Other reserves		97,425	97,425
Proposed dividend		–	33,746
Retained earnings		304,981	153,811
<b>Shareholders' funds</b>			
		<b>933,832</b>	816,408
<b>Minority interests</b>			
		<b>72,842</b>	72,606
<b>Non-current liabilities</b>			
Deferred tax liabilities	15	6,810	6,042
		<b>1,013,484</b>	895,056

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30th June 2004*

	Unaudited					Statutory	Retained earnings	Total
	Share capital	Capital reserve	Share issuance costs	Asset revaluation reserve	Statutory surplus reserve	public welfare fund		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2004	531,426	56,150	-	8,791	21,656	10,828	187,557	816,408
Profit for the period	-	-	-	-	-	-	151,170	151,170
Dividends	-	-	-	-	-	-	(33,746)	(33,746)
At 30th June 2004	531,426	56,150	-	8,791	21,656	10,828	304,981	933,832

	Unaudited					Statutory	Retained earnings	Total
	Share capital	Capital reserve	Share issuance costs	Asset revaluation reserve	Statutory surplus reserve	public welfare fund		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2003	350,742	-	(9,620)	8,791	10,644	5,322	91,666	457,545
Profit for the period	-	-	-	-	-	-	81,302	81,302
Issue of shares	180,684	93,540	-	-	-	-	-	274,224
Share issuance costs	-	(39,536)	9,620	-	-	-	-	(29,916)
At 30th June 2003	531,426	54,004	-	8,791	10,644	5,322	172,968	783,155

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

*For the six months ended 30th June 2004*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2004</b>	<b>2003</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Net cash outflow from operating activities</b>	<b>(144,340)</b>	(231,869)
<b>Net cash outflow from investing activities</b>	<b>(177,059)</b>	(42,058)
<b>Net cash inflow from financing activities</b>	<b>269,050</b>	570,280
(Decrease)/increase in cash and cash equivalents	<b>(52,349)</b>	296,353
Cash and cash equivalents at 1st January	<b>482,407</b>	236,980
Cash and cash equivalents at 30th June	<b>430,058</b>	533,333
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>441,177</b>	317,293
Proceeds from shares issuance included in trade and other receivables	–	246,791
Less: pledged deposits	<b>(11,119)</b>	(30,751)
	<b>430,058</b>	533,333

## NOTES TO THE CONDENSED ACCOUNTS

### 1 General information

The Company was established as a limited liability company in the People's Republic of China (the "PRC") in May 1998 under the name Zhejiang Baoye Construction Works Group Co., Ltd..

Pursuant to a group reorganisation as described in the Prospectus, the Company became a joint stock limited company and changed to its present name, Baoye Group Company Limited, on 30th August 2002.

The H shares of the Company were listed on the Main Board of the Stock Exchange on 30th June 2003.

The principal activities of the Group are the provision of construction services, manufacture and distribution of building materials and development and sale of properties in the PRC.

### 2 Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the annual accounts for the year ended 31st December 2003.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the preparation of the annual accounts for the year ended 31st December 2003.

### 3 Segment information

No geographical segment information is presented as substantially all the Group's business activities were carried out in the PRC.

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

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

### 3 Segment information (continued)

An analysis of the Group's revenue and results for the period by business segments is as follows:

	Six months ended 30th June 2004					Consolidated RMB'000
	Construction RMB'000	Building materials RMB'000	Real estate RMB'000	Other operations RMB'000	Elimination RMB'000	
Turnover	2,049,255	133,949	265,190	1,568	(204,846)	2,245,116
Segment results	89,475	13,079	115,818	1,469	(1,015)	218,826
Other revenues						15,252
Operating profit						234,078
Finance costs						(10,174)
Share of loss of a jointly controlled entity						(299)
Profit before taxation						223,605
Taxation						(70,305)
Profit after taxation						153,300
Minority interests						(2,130)
Profit attributable to shareholders						151,170
	Six months ended 30th June 2003					
	Construction RMB'000	Building materials RMB'000	Real estate RMB'000	Other operations RMB'000	Elimination RMB'000	Consolidated RMB'000
Turnover	1,116,658	128,252	68,358	149	(85,419)	1,227,998
Segment results	71,851	26,292	15,018	(86)	(896)	112,179
Other revenues						20,498
Operating profit						132,677
Finance costs						(8,138)
Share of loss of a jointly controlled entity						(144)
Profit before taxation						124,395
Taxation						(36,905)
Profit after taxation						87,490
Minority interests						(6,188)
Profit attributable to shareholders						81,302

#### 4 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2004 RMB'000	2003 RMB'000
<b>Crediting</b>		
Write-back of provision for doubtful accounts receivables	–	968
Government grants	–	17,939
Gain on disposal of fixed assets	45	738
<b>Charging</b>		
Depreciation of owned fixed assets	10,605	9,050
Staff costs (including directors' remuneration)	345,055	152,861
Operating leases of land and buildings	1,427	331
Outgoings in respect of investment properties	14	33
Provision for doubtful accounts receivable	1,230	–
Provision for warranty (note 12)	1,950	1,800
Land appreciation tax	4,980	2,924

#### 5 Taxation

The Group is subject to Enterprise Income Tax in the PRC at a rate of 33% (2003: 33%).

The amounts of taxation charged to the condensed consolidated profit and loss account represent:

	Six months ended 30th June	
	2004 RMB'000	2003 RMB'000
PRC current taxation	70,511	36,411
Deferred taxation	(206)	494
	70,305	36,905

**5 Taxation (continued)**

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the location of the Group as follows:

	<b>Six months ended 30th June</b>	
	<b>2004 RMB'000</b>	2003 RMB'000
Profit before taxation	<b>223,605</b>	124,395
Calculated at a taxation rate of 33% (2003: 33%)	<b>73,790</b>	41,050
Expenses not deductible for taxation purposes	<b>593</b>	395
Loss sustained by group companies	<b>3,113</b>	98
Utilisation of previously unrecognised tax losses	–	(198)
Effect of partial income tax exemption	<b>(7,191)</b>	(4,440)
Taxation charge	<b>70,305</b>	36,905

**6 Dividends**

The Board does not recommend the payment of an interim dividend in respect of the period (2003: Nil).

**7 Earnings per share**

Basic earnings per shares is calculated by dividing the Group's profit attributable to shareholders for the period by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 30th June</b>	
	<b>2004</b>	2003
Profit for the period (RMB'000)	<b>151,170</b>	81,302
Weighted average number of ordinary shares in issue (in thousand)	<b>531,426</b>	355,733
Basic earnings per share (RMB)	<b>0.28</b>	0.23

No fully diluted earnings per share is presented as the Company has no dilutive potential shares during the period (2003: Nil).

**8 Fixed assets**

	<i>RMB'000</i>
Opening net book amount as at 1st January 2004	324,147
Additions	145,317
Disposals	(379)
Depreciation charge	(10,605)
	<hr/>
Closing net book amount as at 30th June 2004	458,480

**9 Amounts due from/(to) customers on construction contracts**

	<b>30th June 2004 <i>RMB'000</i></b>	31st December 2003 <i>RMB'000</i>
Contract costs incurred plus attributable profits less foreseeable losses to date	<b>6,610,574</b>	4,850,458
Less: progress billing to date	<b>(6,557,162)</b>	(4,827,390)
	<hr/>	<hr/>
	<b>53,412</b>	23,068
Represented by:		
Due from customers on construction contracts	<b>359,813</b>	234,852
Due to customers on construction contracts	<b>(306,401)</b>	(211,784)
	<hr/>	<hr/>
	<b>53,412</b>	23,068

**10 Trade and other receivables**

	<b>30th June 2004 <i>RMB'000</i></b>	31st December 2003 <i>RMB'000</i>
Trade and notes receivables ( <i>note (a)</i> )	<b>212,878</b>	150,111
Less: provision for doubtful debts	<b>(7,505)</b>	(6,275)
	<hr/>	<hr/>
Prepayments and deposits	<b>205,373</b>	143,836
Other receivables	<b>15,198</b>	24,258
Guarantee money deposits for acquisition of equity interest in a company ( <i>note 19</i> )	<b>27,909</b>	43,722
Prepayment for a real estate development project ( <i>note (b)</i> )	<b>72,000</b>	–
Retention money receivables and project deposits	<b>285,039</b>	229,390
	<b>403,467</b>	286,395
	<hr/>	<hr/>
	<b>1,008,986</b>	727,601

**10 Trade and other receivables** (continued)

- (a) The credit terms are generally 1 to 3 months to customers of construction business and 1 to 12 months to customers of building materials business. Usually, no credit term is granted to customers of real estate business. At 30th June 2004, the ageing analysis of the trade and notes receivables is as follows:

	<b>30th June 2004 RMB'000</b>	31st December 2003 RMB'000
0 to 3 months	<b>143,375</b>	67,239
3 months to 1 year	<b>53,149</b>	64,578
1 to 2 years	<b>14,632</b>	16,972
2 to 3 years	<b>704</b>	467
Over 3 years	<b>1,018</b>	855
	<b>212,878</b>	150,111

- (b) The balance mainly represents bidding deposits paid to Shaoxing City Ministry of Land Resources and Zhejiang Province Kuaiji Mountain Tour District Administration Committee for the real estate development project of Kuaiji Tour District and prepayments for compensation made to local residents in relation to the project.

**11 Trade and other payables**

	<b>30th June 2004 RMB'000</b>	31st December 2003 RMB'000
Trade and notes payables	<b>261,797</b>	222,794
Other payables	<b>85,071</b>	88,152
Other taxes payables	<b>125,157</b>	87,537
Deposits from project managers	<b>93,299</b>	59,007
Accruals	<b>579</b>	2,034
	<b>565,903</b>	459,524

At 30th June 2004, the ageing analysis of the trade and notes payables is as follows:

	<b>30th June 2004 RMB'000</b>	31st December 2003 RMB'000
1 to 3 months	<b>159,609</b>	144,244
3 months to 1 year	<b>84,200</b>	46,863
1 to 2 years	<b>13,350</b>	28,005
2 to 3 years	<b>1,685</b>	2,777
Over 3 years	<b>2,953</b>	905
	<b>261,797</b>	222,794

**12 Provision**

	<b>Warranty</b> <i>RMB'000</i>
At 1st January 2004	5,000
Additional provision charged to profit and loss account	1,950
Less: amount utilised	(830)
	<hr/>
At 30th June 2004	6,120
	<hr/>

The Group gives warranty on construction work and undertakes to repair construction work that is not satisfactory for periods which range from 6 months to 5 years. Provision has been recognised for expected warranty claims based on the past experience of the level repairs.

**13 Short-term bank loans**

	<b>30th June</b> <b>2004</b> <b>RMB'000</b>	31st December 2003 <i>RMB'000</i>
Unsecured		
– Unguaranteed	<b>60,000</b>	160,000
– Guaranteed by the Company and its subsidiary	<b>706,000</b>	336,950
	<hr/>	<hr/>
	<b>766,000</b>	496,950
Secured (note (b))	<b>46,000</b>	46,000
	<hr/>	<hr/>
	<b>812,000</b>	542,950
	<hr/>	<hr/>

- (a) Interests were charged at 4% to 5% (2003: 5% to 6%) of the outstanding loan balances for the period.
- (b) As at 30th June 2004, the secured short-term bank loans were pledged by the land use rights and buildings of the Company amounting to RMB31,897,000 (2003: RMB32,160,000) and those of its subsidiary, Zhejiang Baoye Construction Group Co., Ltd., amounting to RMB5,392,000 (2003: RMB5,473,000).

#### 14 Share capital

The movements of share capital are as follows:

	Number of shares <i>(in thousand)</i>	Share capital <i>RMB'000</i>
Balances as at 1st January 2003	350,742	350,742
Issue of H shares <i>(note (a))</i>	180,684	180,684
Balances as at 30th June 2003	531,426	531,426
Balances as at 31st December 2003	531,426	531,426
Balances as at 30th June 2004	531,426	531,426

- (a) 180,684,000 H Shares of RMB1.00 each were issued at HKD1.43 (equivalent to approximately RMB1.52) each and were fully paid up in form of cash, resulting in capital reserve (share premium) of approximately RMB56,150,000 after deducting the share issuance costs in relation to the issuing of new H Shares.

#### 15 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 33% (2003: 33%).

The movement on deferred tax assets and liabilities account is as follows:

	Six months ended 30 June 2004 <i>RMB'000</i>	Year ended 31 December 2003 <i>RMB'000</i>
Balances at beginning of the period/year	231	1,869
Deferred taxation charged/(credited) to profit and loss account	562	(1,638)
Revaluation of investment properties	(71)	-
Interest expenses capitalised	(697)	-
Balances at the end of the period/year	25	231

**15 Deferred taxation (continued)**

The movement in deferred tax assets and liabilities (prior to offsetting of balance within the same taxation jurisdiction) during the period/year are as follows:

*Deferred tax assets*

	<b>Provision for doubtful receivables</b>	
	<b>2004</b>	2003
	<b>RMB'000</b>	RMB'000
Balance at 1st January	<b>6,273</b>	6,794
Charged/(credited) to profit and loss account	<b>562</b>	(521)
Balance at 30th June 2004/ 31st December 2003	<b>6,835</b>	6,273

*Deferred tax liabilities*

	<b>Revaluation of investment properties</b>		<b>Interest expenses capitalised</b>		<b>Total</b>	
	<b>2004</b>	2003	<b>2004</b>	2003	<b>2004</b>	2003
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Balance at 1st January	<b>(4,996)</b>	(4,855)	<b>(1,046)</b>	(70)	<b>(6,042)</b>	(4,925)
Credited to profit and loss account	<b>(71)</b>	(141)	<b>(697)</b>	(976)	<b>(768)</b>	(1,117)
Balance at 30th June 2004/ 31st December 2003	<b>(5,067)</b>	(4,996)	<b>(1,743)</b>	(1,046)	<b>(6,810)</b>	(6,042)

**16 Contingent liabilities**

	<b>30th June 2004</b>	31st December 2003
	<b>RMB'000</b>	RMB'000
Guarantees given to banks in respect of mortgage facilities granted to outside parties	<b>76,430</b>	50,000

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

## 17 Capital commitments

- (a) At 30th June 2004, the Group had the following capital commitments in respect of the development costs of properties under development and properties held for development:

	<b>30th June 2004 RMB'000</b>	31st December 2003 RMB'000
Contracted but not provided for	<b>218,992</b>	297,658

- (b) At 30th June 2004, the Group and the Company had the following capital commitments authorised but not provided for in respect of land and buildings, plant and machinery:

	<b>30th June 2004 RMB'000</b>	31st December 2003 RMB'000
Land and buildings	<b>24,625</b>	43,245
Plant and machinery	<b>19,755</b>	22,428
	<b>44,380</b>	65,673

## 18 Related party transactions

The Group had the following significant related party transactions during the period:

	<b>Six months ended</b>	
	<b>30th June 2004 RMB'000</b>	30th June 2003 RMB'000
Non-continuing transactions		
Sales of real estate properties to		
Directors	–	3,192
Shareholders	<b>894</b>	10,634
Continuing transactions		
Sales of concrete to		
Zhejiang Huanyu Construction Group Co., Ltd. (note (a))	<b>8,002</b>	4,850
Shaoxing Municipal Infrastructure Company (note (a))	–	22

- (a) These companies are minority shareholders of the subsidiaries of the Company.
- (b) Certain companies of the Group had entered into Internal Undertaking Contract of Construction Projects with the project managers. The shareholders of the Company, namely Mr. Xia Weimin, Mr. Chen Baorong, Mr. Wang Jianhua and Mr. Wu Xianfu, were also project managers and the directors confirm that the terms of their Internal Undertaking Contract of Construction Projects are similar to those of other project managers who were not shareholders of the Company.

**18 Related party transactions** *(continued)*

The directors of the Company are of the opinion that the transactions with related parties were conducted in the ordinary course of the Group's business.

**19 Subsequent events**

Pursuant to an agreement signed with a third party on 8th July 2004, the Company acquired 90% equity interest in Hangzhou International Airport Mansion Development Co., Ltd. which is engaged in development of Hangzhou International Airport Mansion. The total consideration is RMB83,077,000, of which RMB72,000,000 was prepaid by the Group as deposits (note 10). The remaining balance will be fully settled not later than 31st December 2004.

**20 Reclassification of comparative figures**

Certain comparative figures have been reclassified to conform to the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the unaudited interim results for six months ended 30th June 2004.

### Results

Despite the volatile market environment, with its strong foundation in the construction industry and determination to consolidate its three core businesses, the Group was able to grasp opportunities in the flourishing urban development sector in the PRC. Accordingly, the Group recorded remarkable results in its core business for the period. The Group recorded a turnover of RMB2,245,116,000 for the six months ended 30th June 2004, representing an increase of approximately 82.8% over the corresponding period in 2003; profit attributable to shareholders was RMB151,170,000, representing an increase of approximately 85.9% over the corresponding period in 2003; and earnings per share (EPS) was RMB0.28, representing an increase of approximately 21.7% over the corresponding period in 2003.

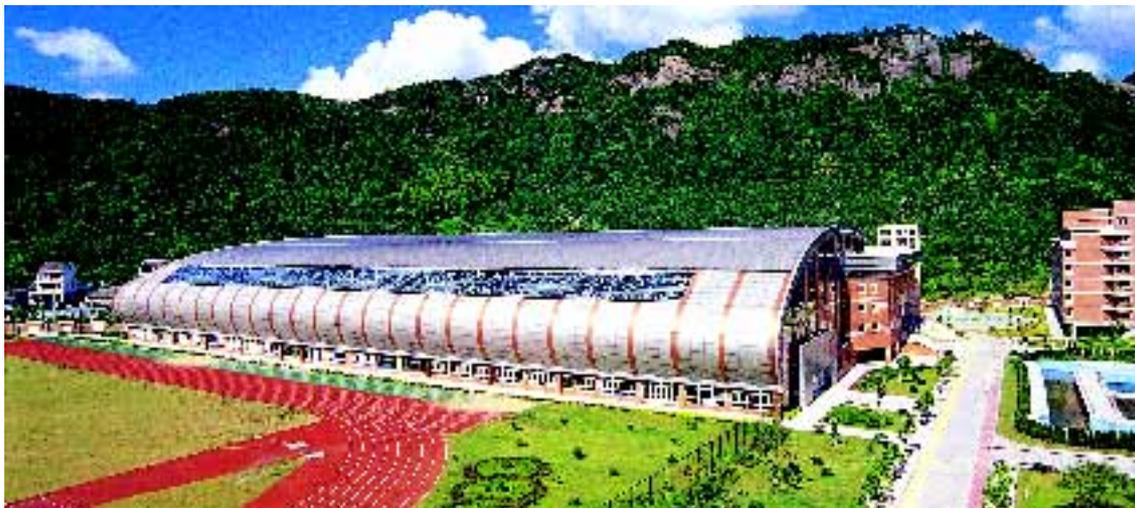
### PRC's macroeconomic environment

Since 2004, the PRC government has taken further steps in its efforts to establish macro-economic controls with a view to provide positive guidance of investment in fixed assets and in the finance and properties markets. Based on statistics from the first half of 2004, the economy in the PRC has maintained its fast-paced growth.

Although the growth of both fixed assets investment and the construction industry's total production value slowed down for the first half of 2004 in Zhejiang Province and the PRC, it remains strong compared to the corresponding period in 2003. At the same time, increased controls by the PRC government over steel and cement industries have caused the prices of building materials (such as steel and cement) to drop, thus reducing cost pressures for construction enterprises. According to the latest figures released by the National Bureau of Statistics on 22nd July 2004, the total area of commercial building space sold in the first half of this year across the PRC was 110.10 million square meters, representing an increase of approximately 26.3% over last year, with the selling price increased approximately 11.6%. These figures indicate the active and positive performance of the properties market.

### Business Review

The Group is principally engaged in the provision of construction services, research and development, manufacture and distribution of building materials and development and sale of properties in Zhejiang Province and the Yangtze River Delta of the PRC. During the period under review, the Group recorded stable development in its business.

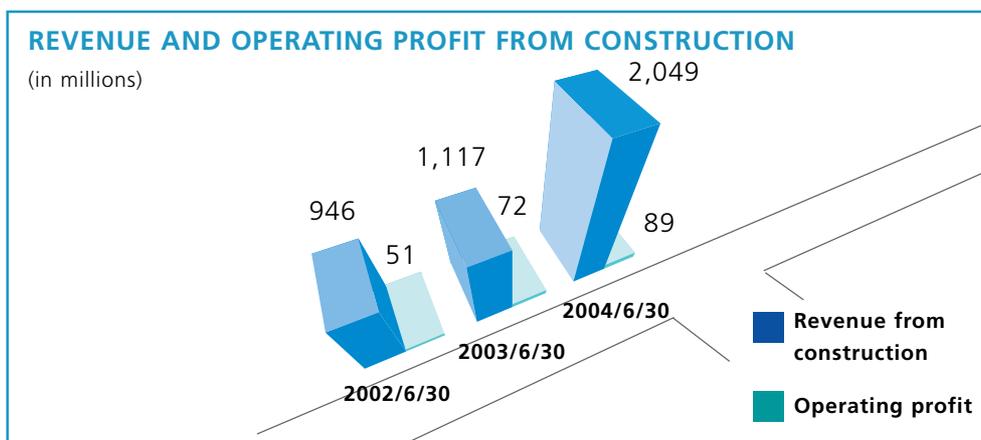
*Construction Business*

Construction is the Group's core business. During the period, investment in fixed assets shrunk as the PRC Government stepped up its economic austerity measures. The Group, however, was not affected and instead took the opportunity to integrate its operations and strengthen its market position by leveraging its Premium Class Qualification Certificate (特級資質) advantage. So far, the Group has expanded its construction business into major cities in Zhejiang, as well as Beijing, Shanghai, Hefei, Wuhan and Suzhou.

For the six months ended 30th June 2004, the construction business recorded a turnover of RMB2,049,255,000 (representing approximately 91.3% of the Group's total turnover) and operating profit of RMB89,475,000, representing an increase of approximately 83.5% and approximately 24.5% respectively over the corresponding period in 2003.

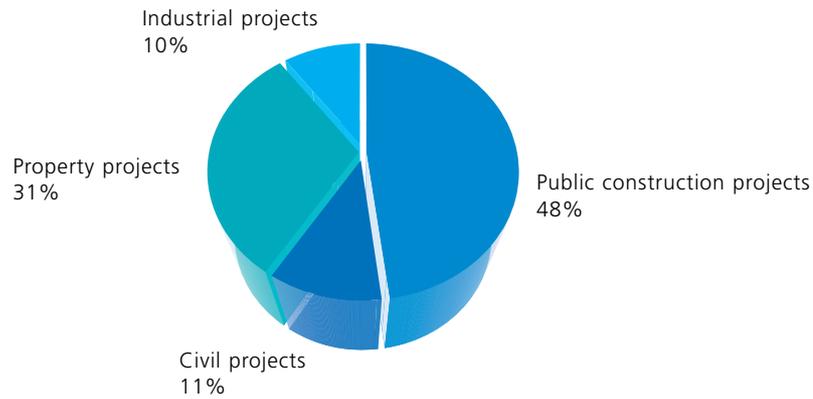


During the period, the Group signed 189 new construction contracts, with a total amount of RMB2,784,660,000, representing an increase of approximately 21.23% over the corresponding period in 2003 and completed 80 construction projects. The Group's most recent projects include Xuyuan Phase I in Shanghai, Yinzhou Commerce Chamber Building in Ningbo, Shunchi Lakeside Garden in Suzhou, Lianqiang International Building in Nanjing, and Yueqing Administration Centre in Wenzhou, each of which with value over RMB100,000,000. These large-scale undertakings thus reflect the Group's dominance in the construction business.



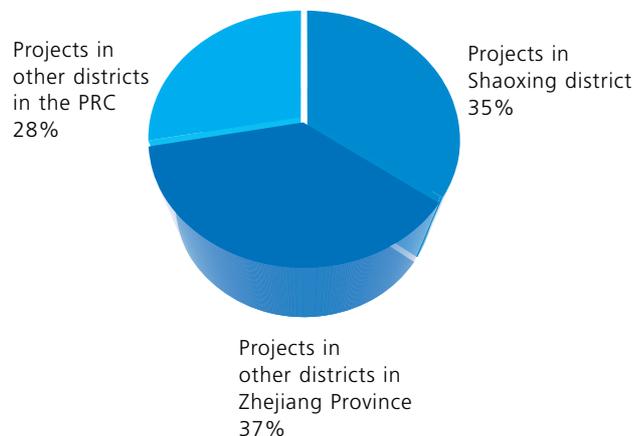
Completed construction projects have been classified into the following categories:

- 9 Urban Works projects, such as the water and sewage project in the Binhai Industrial Zone and the Baibu Bridge in Keqiao Huxi Road;
- 38 Public utility projects, such as the State Taxation Bureau Comprehensive Building in Fuyang, the Finance and Taxation Building in Shaoxing and the Sports Center in Taizhou City;
- 25 Residential projects, such as the New Times Garden in Shanghai (上海新時代景庭) and the Bright Pearl Garden in Shaoxing (紹興明珠花園);
- 8 Industrial projects, such as the Shanghai Jiuchen Fine Chemicals Co. factory workshop (上海久琛精細化工廠房) and the Shaoxing Fansheng Chemical Fiber Knitting factory workshop (紹興繁盛化纖織造廠).



Construction projects have been distributed as follows:

- 28 Projects in Shaoxing District, such as the Shaoxing County Prosecution Office Building, the Shaoxing County Construction Bureau Office Building and the Lu Town tourist site in Keyan, Zhejiang;
- 30 Projects in other districts of Zhejiang Province, such as the Jiaxing City Construction Bureau Office Building, the Tobacco Co. Building in Yongkang and the Sports Center in Taizhou City;
- 22 Projects in other districts of the PRC, such as the Gaohang Town Government Office Building in Shanghai, the Runfu Jing'an School in Shanghai and the Shijia-Star Town Gymnasium Club in Xi'an (西安世家星城體育館會所).



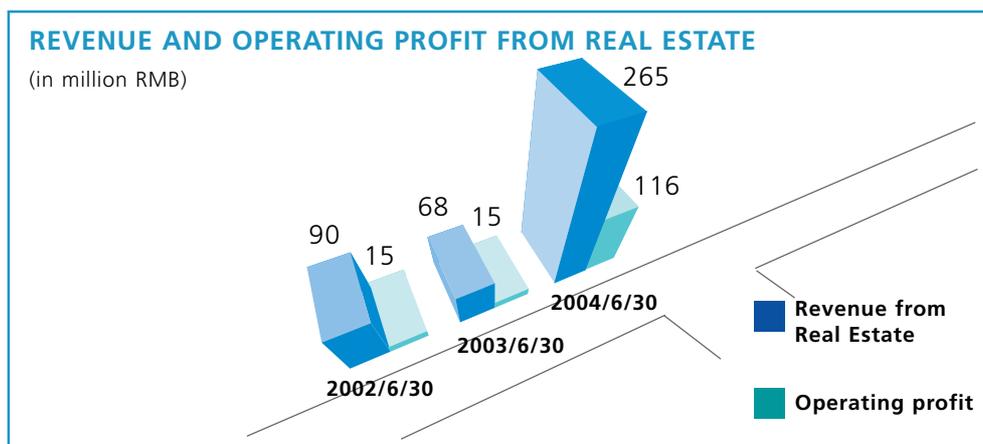
## Real Estate Business

Guazhu Fengqing (“瓜渚風情”)



Most of the property projects the Group developed during the period are in Shaoxing. Benefiting from the development of new areas and redevelopment of old areas, the demand for property in Shaoxing remains strong. According to the figures released by the Zhejiang Statistics Department on 29th July 2004, Shaoxing ranked second next to Shanghai, in income per capita, among cities in the Yangtze Delta. Shaoxing residents have strong purchasing power in property.

During the period, the Group experienced a substantial growth in the real estate business, with RMB265,190,000 in turnover (representing approximately 11.8% of the Group's total turnover) and RMB115,818,000 in operating profit, representing an increase of approximately 287.9% and approximately 671.2% respectively over the corresponding period in 2003.



The presale of the Yulan Huating Project, in downtown Shaoxing, began and went smoothly during the period, with 81,100 square meters (“sq.m.”) available for sale. The presale of City Garden Phase III property project with a saleable area of 50,000 sq.m. will begin in September this year. The high-rise building and garage sections of the Guazhu Fengqing Project with a total area of 60,000 sq.m. were all sold out and will be reflected in this year's results. In addition, the Group's abundant land reserves will satisfy the Group's development and construction over the next three to five years.

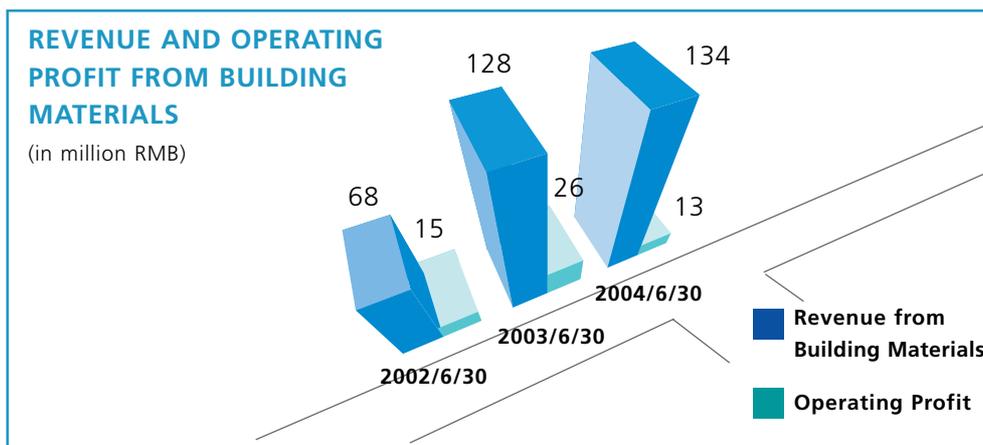
*Building Materials Business*



Despite the slowdown of the growth of Zhejiang's fixed assets investment, the Group's construction business continued to expand, translating into increased internal demand for building materials. Thus the building materials business returned to a satisfactory performance.



For the six months ended 30th June 2004, the Group's sale of building materials recorded a turnover of RMB133,949,000 (representing approximately 6.0% of the Group's total turnover) and operating profits of RMB13,079,000.



During the period, the sales of various pre-fabricated building materials were as follows:

<b>Pre-fabricated building materials</b>	<b>Sales in the six months ended 30th June 2004 (RMB'000)</b>	<b>Proportion in building materials sales</b>
Ready-mix concrete	96,359	71.9%
Concrete piles	6,341	4.7%
Concrete ducts	8,075	6.0%
Large roof sheathings	16,571	12.4%
Fire-proof materials	2,967	2.2%
Bridge bream plate	3,636	2.8%

The Group also gradually increased its investment in the Baoye Residential Industrial (Building Materials) Park, located in the Kexi Industrial Park of the Kejiao Economic Development Zone (柯橋經濟開發區柯西工業園區). The Group has so far spent RMB29,510,000 to build a steel-structure production line workshop and purchase equipment, of which RMB1,191,000 was drawn from IPO proceeds. Another RMB3,320,000 was used to build the Building Materials Research and Development Centre.

According to the government's plan, the Group is required to relocate its concrete and piles & ducts factories in Kedong District to the Baoye Residential Industry (Building Materials) Park. The cost of relocation is expected to be RMB63,900,000. During the period, the Group has injected RMB23,820,000 from its working capital on the project.

During the period, the setting up of workshop and the relocation of factories had certain impact on the Group's building materials business. With the setting up of workshop and the relocation of factories to be completed in the second half of this year, the Group's building materials business will grow even quicker.

### **Progress of the Three Projects Negotiated through Baoye Investment (as defined below)**

In 2003, Zhejiang Baoye Industrial Investment Company Limited ("Baoye Investment") paid the guarantee money in respect of the three projects on behalf of the Group. During the first six months of 2004, the Group paid such guarantee money directly instead. Among the three projects, agreement was reached for two projects. And the bid for the remaining one was successful. Details of the projects are as follows:

#### *Tongxiang Construction Project*

In the first half of this year, the Group won the bid for the Phoenix New City Project (Tongxiang Construction Project) located in Tongxiang Municipality of Zhejiang Province. The project has a development area of 84,809 sq.m, with a total gross floor area of 184,710 sq.m. and the contract sum amounted to RMB137,800,000. The Group had already signed the construction contract with the project owner. A guarantee deposit of RMB30,000,000 paid in advance by the Group will be taken as the guarantee deposit for fulfilling the contract.

#### *Minghua Construction Project*

In the first half of this year, the Group succeeded in bidding for the project of Phase I of Minghua Textile Raw Materials Exhibition City with a total gross floor area of 126,991 sq.m., in Hangzhou Municipality of Zhejiang Province. Construction contract of this project is under negotiation and agreement is expected to be reached before the end of October 2004. The Group will make disclosure in accordance with the Listing Rules thereafter. A guarantee deposit of RMB60,000,000 paid in advance by the Group will be taken as the guarantee deposit for fulfilling the contract.

#### *Acquisition Project*

On 8th July 2004, the Group signed an agreement for the acquisition of 90% of the equity interest in Hangzhou International Airport Building Development Co., Ltd ("Project Company"). The Project Company owns the land use right of a prime site located in the downtown area of Hangzhou. The Group plans to develop a comprehensive commercial office building on that site. The consideration was RMB83,070,000 and so far RMB72,000,000 had been paid by the Group.

## Prospects

Unaffected by the slow down of investment in fixed assets sparked by the PRC government's economic austerity measures, the Group actually took the opportunity to integrate its operations and strengthened its market position. In the second half of this year, leveraging its Premium Class Qualification Certificate (特級資質) advantage, the Group plans to integrate its operations, technology and superior brand reputation. It will strive to increase the number of large and medium-sized municipal and public construction projects, with high technical barriers and accordingly more profitable. The Group will also take advantage of the opportunities arising from the government's initiatives to encourage private investment to identify opportunities to acquire construction companies with First-Class Qualification Certificate in other provinces. The Group's goal is to quickly expand its construction business across the country and maintain growth by consolidating its existing operations and increasing business volume in emerging markets.



Yulan Huating (“毓蘭華庭”)

During the second half of this year, the Group will focus more on standardising the production of construction materials, planning and creating a first-class Residential Industrialisation Base in the PRC. The base will help to increase the utility of building materials, shorten the construction time, reduce pollution and make buildings more energy-efficient. The Group also expects the Research and Development Centre to be finished within the year, which will improve its ability in the research and development of building materials. In addition, the steel-structures workshop will also be completed this year and put into trial operation, promising the Group an expanded product portfolio. With the setting up of workshop and the relocation of factories to be completed in the second half of this year, the Group's building materials business will grow even quicker.

The PRC government's macro-economic control measures have limited property companies' access to capital and land reserves, forcing the industry to consolidate favoring only players with abundant capital and land reserves. The Group's revenue from the high-rise building and garage sections of the Guazhu Fengqing Project, Yulan Huating Project in downtown Shaoxing and City Garden Phase III will be recognised in the second half of this year and in 2005 respectively. Furthermore, the Group's abundant land reserves in Zhejiang, Shanghai and Anhui will facilitate further expansion in the next three to five years.

With synergy between construction, building materials businesses and the real estate business and abundant capital and land reserve, the Group will continue to boast the highest profit margin in property development in the PRC.

The Group will continue focusing on its three main businesses and, adhering to its set strategic framework, promote reform and business development in the future. The Group will also continue to integrate its operations and strengthen its leading position in the market. By integrating its internal operations and completing the gradual shift “from building to manufacturing”, the Group assures the balanced development of the three main businesses.

## Financial Review

### *Treasury Policies*

The Group has adopted prudent financial policies and exercised tight risk management control over its investment, financing and cash. Its capital structure has always remained sound and solid. The Group will adjust its investment, financing and capital structure from time to time in accordance with its continuous development demand and internal resources, with a view of maximising shareholders' value.

The Group has centralised funding for all its subsidiaries at the Group level. This policy achieves better control of treasury operations and lower average cost of funds.

### *Financial Resources and Liabilities*

The Group anticipated fluctuation and integration of its business in the coming months resulting from the macro-economy controls measures implemented by the PRC Government. Hence, it seized various golden opportunities to increase the land reserve and properties held for development, which led to an increase in bank borrowings to RMB812,000,000 at 30th June 2004 (31st December 2003: RMB542,950,000), representing an increase of approximately 49.6% over the previous year.

As at 30th June 2004, the Group's bank borrowings, net of bank and cash balances amounted to RMB370,823,000 (31st December 2003: RMB44,258,000). The Group's gearing ratio, calculated on the basis of net bank borrowings (i.e. total bank borrowings less bank and cash balances) over total assets is 11.9% (31st December 2003: 1.7%).

During the period, the Group maintained most of its borrowings on an unsecured basis. As at 30th June 2004, the amount of unsecured debt was RMB766,000,000, representing approximately 94.3% of the total borrowings of RMB812,000,000. If permissible, the Group will continue to maintain its borrowings on an unsecured basis.

Bank borrowings are solely denominated in RMB and have been arranged on a floating rate basis. The Group expects that fluctuation in the RMB exchange rate will not have a substantial effect on the business performance and the financial status of the Group.

### **Use of Proceeds**

The total amount raised by the issue of H shares by the Company in 2003 was approximately RMB236,830,000. During the period, the Company used the proceeds strictly pursuant to the Prospectus. Details of the use are as follows:

	<i>RMB'000</i>
Balance as at 1st January 2004 of unused proceeds	43,946
Proceeds used during the period, including:	
Production lines and facilities purchase for steel structure	1,191
Research and development center for building materials	3,320
Balance as at 30th June 2004	39,435

The Company will continue to apply the remaining balance as stated in the Prospectus.

### **Corporate Governance**

The Group sought listing in Hong Kong not only to raise fund but also to allow it to tap international practice for improving its corporate governance structure, to enhance transparency, to facilitate the search for appropriate strategic cooperation partners from around the world, to attract professional talents and to learn from the experiences of excellent listing companies in legal compliance, financial management and relations building with investors.

Pursuant to the Listing Rules, a listed issuer must have at least one independent non-executive director who possesses appropriate professional qualifications or accounting or related financial management expertise. The Company proposes to appoint Mr. Dennis Yin Ming Chan as its independent non-executive director in the meeting of the Board held on 3rd August 2004. The appointment of the new independent non-executive director is subject to the passing of an ordinary resolution by the shareholders at the extraordinary general meeting to be held on 23rd September 2004.

Mr. Dennis Yin Ming Chan, aged 50, 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 the Chartered Institute of Purchasing and Supply, United Kingdom (MCIPS) and a member of the Canadian Institute of Chartered Accountants (CA). Mr. Chan is presently the President and Chief Executive Officer of Asiapac Investment Group Ltd. Mr. Chan has more than 26 years of experience in public accountancy, management consultancy, manufacturing, distribution, retailing and financial services.

Furthermore, the Company has appointed Mr. Fung Ching Simon, a qualified accountant, as the chief financial officer of the Company on a full time basis in order to enhance the Group's financial management. Mr. Fung, aged 35, is an associate member of the Hong Kong Society of Accountants and a member of the CPA Australia. Prior to joining the Company, he had over 10 years of experience in auditing, accounting and business advisory with a "Big-4" international accounting firm.

### Investor Relations

In order to keep good relationships with investors, the Group has participated in different investment forums and activities.

Date	Project	Organizer	Location
January 2004	Seminar and series of activities of financial cooperation and corporate finance	People's Government of Zhejiang Province; The Stock Exchange	Hong Kong
May 2004	China Investment Forum	CLSA Limited	Qingdao

Besides, the Company had warmly received fund managers, securities participants and representatives of shareholders more than 40 times during the period.

### Compliance with the Code of Best Practice of Listing Rules

The directors of the Company believe that during the period, the Company has complied with the Code of Best Practice, as set out in the Appendix 14 of Listing Rules throughout the accounting period covered by the unaudited condensed consolidated interim financial statements as contained therein.

## OTHER INFORMATION

### Substantial Shareholders

At 30th June 2004, so far as was known to the Directors, the following persons had an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Future Ordinance (the "SFO") and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly

or indirectly interested in of 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Group:

Name	Relevant entity	Number of shares or equity interest held (Long position)	Approximate percentage of the total registered capital of the relevant entity
Mr. Pang Baogen	(1) the Company	198,753,054 (domestic shares)	37.4%
	(2) Zhejiang Baoye Building industrialization Company Limited	RMB11,514,000	19%
Zhejiang Baoye Construction Group Co. Ltd.	Zhejiang Baoye Building industrialization Company Limited	RMB36,360,000	60%
Zhejiang Construction Science and Design Research Institute	Zhejiang Baoye Building Materials Industrialization Company Limited	RMB9,090,000	15%
The Reception Centre of Zhejiang Provincial Department of Construction	Zhejiang Building Materials Industrialization and Design Research Institute Company Limited	RMB600,000	10%
Zhejiang Huanyu Construction Group Co. Ltd.	Shaoxing Commodity Concrete Co. Ltd	RMB5,547,000	25.8%
Shaoxing Municipal Infrastructure Company	Shaoxing Commodity Concrete Co., Ltd	RMB4,880,500	22.7%
Zhejiang Baoye Construction Group Co., Ltd.	Zhejiang Baoye Real Estate Group Co., Ltd	RMB5,000,000	10%
Zhejiang Baoye Construction Group Co., Ltd.	Zhejiang Baoye Infrastructure Construction Co., Ltd	RMB3,750,000	12.5%
Zhejiang Baoye Building Material Industrialization Company Limited	Shaoxing Baoye Fireproof Materials Company Limited	RMB351,000	11.7%
Zhejiang Baoye Construction Group Co., Ltd.	Shaoxing Baoye New Building Materials Co., Ltd	RMB500,000	25%
Zhejiang Baoye Building Material Industrialization Company Limited	Shaoxing Baoye New Building Materials Co., Ltd	RMB1,500,000	75%
Zhejiang Baoye Real Estate Group Co., Ltd.	Shanghai Zibao Real Estate Development Co., Ltd	RMB12,600,000	70%
Shanghai Zide Real Estate Development Co., Ltd.	Shanghai Zibao Real Estate Development Co., Ltd	RMB2,700,000	15%
Mr. Tong Yingqiang	Shanghai Zibao Real Estate Development Co., Ltd	RMB2,700,000	15%
Goldbase International Investments Limited	Shaoxing Baogang Woodwork Co., Ltd	USD816,000	30%
Zhejiang Baoye Construction Group Co., Ltd.	Shaoxing Baoye Construction Intelligent Technology Co., Ltd	RMB800,000	40%
Zhejiang Baoye Construction Group Co., Ltd.	Zhejiang Baoye Steel Structure Company Ltd.	RMB1,000,000	5%
<b>H share</b>			
Mr. Cheah Cheng Hye	The Company	16,274,000 (Note 1)	9.01% (Note 2)
Value Partners Limited	The Company	16,274,000 (Note 1)	9.01% (Note 2)
Atlantis Investment Management Ltd.	The Company	10,932,000	6.05% (Note 2)
Symbiospartners Investments Ltd.	The Company	9,210,000	5.10% (Note 2)

Notes:

- The shares of Mr. Cheah Cheng Hye were held through Value Partners Limited.
- The percentage was calculated by dividing the total number of H shares held by the relevant parties by the total number of H shares in issue.

### Purchase, sale or redemption of securities

During the period from 1st January 2004 to 30th June 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### Number of employees and remuneration policies

As at 30th June 2004, the Group had 1,101 full-time employees. The Group has formulated a set of staff appraisal policies in order to fix remuneration and bonus for its employee. In order to bring out the best of staff members, the Group emphasized on training to enhance staff quality in terms of their professionalism, team spirit and corporate culture, apart from undergoing filtering process.

### Details of the charges on Group's assets

As at 30th June 2004, land use rights and properties of the Company and its subsidiary, Zhejiang Baoye Construction Group Co., Ltd with net book value of approximately RMB31,897,000 and RMB5,392,000 respectively were pledged to banks for securing guarantee of bank loans for the Group. Please refer to the note 13 of the condensed accounts.

### Contingent liabilities

As at 30th June 2004, the Group's contingent liabilities amounted to RMB76,430,000 (31st December 2003: RMB50,000,000), arising entirely from the guarantee given to banks in respect of mortgage facilities granted to outside parties.

### Interests of directors, supervisors and senior management

As at 30th June 2004, the interests and short positions of each director, supervisor and chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if applicable to supervisors) were as follows:

Director/ Supervisor/ Senior management	Relevant entity	Type	No. of domestic Shares held (Long position)	Approximate percentage of the total registered capital of the relevant entity
Mr. Pang Baogen	(1) The Company	Individual	198,753,054	37.4%
	(2) Zhejiang Baoye Building Materials Industrialization Company Limited	Individual	11,514,000	19%
Mr. Hu Shaoxing	Zhejiang Baoye Building Materials Industrialization Company Limited	Individual	606,000	1%
Mr. Gao Jiming	The Company	Individual	13,024,000	2.5%
Mr. Gao Lin	The Company	Individual	9,544,755	1.8%
Mr. Zhou Hanwan	The Company	Individual	8,233,510	1.5%
Mr. Sun Guofan	The Company	Individual	11,705,283	2.2%
Mr. Gao Jun	The Company	Individual	5,794,259	1.1%
Mr. Xu Jianbiao	The Company	Individual	7,524,884	1.4%
Mr. Lou Zhonghua	The Company	Individual	5,633,172	1.1%

**Directors' and Supervisors' Rights to Acquire Shares or Debentures**

Save as disclosed above, at no time during the period was the Company, or its subsidiaries, a party to any arrangement to enable the directors, the supervisors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**Interests of Directors in Competing Business**

During the period and as at the date of this interim report, none of the directors of the Company had any interests in business, which competes or may compete with the business of the Group under the Listing Rules.

**Interests of Directors, Supervisors and Chief Executives in Contracts**

During the period, none of the directors, supervisors or chief executives of the Company had any interest, directly or indirectly, in any contract with the Company or its subsidiaries, which was significant in relation to the business of the Company.

**Significant Related Party Transactions**

The significant related party transactions undertaken by the Group during the period are set out in note 18 of the condensed accounts.

**Acquisitions and Disposals**

The Group did not undertake any significant acquisition or disposal of subsidiaries or associated companies during the period.

**Audit Committee**

The Group's audit committee comprises three independent non-executive directors: namely Mr. Wang Youwei, Mr. Yi Deqing and Mr. Xu Yangsheng. The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control system and offer advice and recommendations to the Board. The interim report of the Group for the six months ended 30th June 2004 had been reviewed by the audit committee.

On behalf of the Board

**Pang Baogen**

*Chairman*

25th August 2004

## INFORMATION FOR SHAREHOLDERS

### Important dates in 2004

Extraordinary General Meeting of 2004	23rd September 2004
Payment date of final dividend of 2003	Before 30th September 2004, the exact date will be announced later.

### DIRECTORS

#### Executive Directors

Mr. Pang Baogen, *Chairman*  
 Mr. Gao Jiming  
 Mr. Gao Lin  
 Mr. Zhou Hanwan

#### Non-executive Directors

Mr. Wu Weimin  
 Mr. Hu Shaozeng

#### Independent Non-executive Directors

Mr. Wang Youwei  
 Mr. Yi Deqing  
 Mr. Xu Yangsheng

### SUPERVISORS

#### Supervisors

Mr. Sun Guofan  
 Mr. Xie Qisheng

#### Independent Supervisors

Mr. Sun Machuan  
 Mr. Chen Xingquan  
 Mr. Yu Zengmin

### AUDITORS

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

### LEGAL ADVISERS

#### As to Hong Kong law:

Kwok & Yih  
 37th Floor, Gloucester Tower  
 The Landmark  
 Central, Hong Kong

#### As to PRC law:

Jingtian & Gongcheng  
 15th Floor  
 The Union Plaza  
 20 Chaoyang Menwaidajie  
 Beijing 100020, The PRC

### CORPORATE INFORMATION LEGAL ADDRESS

Yangxunqiao Township  
 Shaoxing County  
 Zhejiang Province  
 The PRC

### PLACE OF BUSINESS IN HONG KONG

Rooms 3705-6, 37th Floor  
 Gloucester Tower  
 The Landmark  
 Central, Hong Kong

### COMPANY SECRETARY

Ms. Chung Oi Yin, Irene ACS, ACIS

### AUTHORISED REPRESENTATIVES

Mr. Pang Baogen  
 Mr. Gao Jiming

### HONG KONG SHARE REGISTRAR

Tengis Limited  
 Ground Floor  
 Bank of East Asia Harbour View Centre  
 56 Gloucester Road  
 Wanchai, Hong Kong

### PRINCIPAL BANKERS

Agriculture Bank of China  
 Bank of Communications  
 China Construction Bank

### INVESTOR RELATIONS

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

### STOCK CODE

2355

**DEFINITIONS**

In this interim report, unless the context otherwise requires, the following expressions have the meanings set out below:

The Period/ the period	For the six months ended 30th June 2004
The Company or Baoye	Baoye Group Company Limited
The Group or Baoye Group	The Company and its subsidiaries
Construction Business	The activities of undertaking and implementation of construction projects conducted by the Group
Real Estate Business	The business of development of real estate conducted by the Group
Building Materials Business	The activities of research and development, production and sale of building materials conducted by the Group
Board	The Board of Directors of the Company
Listing Rules	Rules governing the Listing of Securities on the Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Prospectus	The prospectus of the Company dated 17th June 2003