



Interim Report **2012**

BAOYE GROUP COMPANY LIMITED

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

Stock Code: 2355



Our Mission

“From construction to manufacturing”
leads construction industry towards
industrialisation in China



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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”
- Shaoxing “Yuyuan”
- Shaoxing “Jiangwan Green Garden”
- Hefei “City Green Garden”
- Hefei “Baoye Dongcheng Square”
- Wuhan “Baoye Guanggu Lidu”
- Hangzhou “Jiangwan Luyuan”
- Shanghai “Baoye Gongyuan Tianxia”
- Kaifeng “Kaifeng Project”
- Bozhou “Mengcheng Project”

Building Materials Business

- Curtain Wall
- Ready-mixed Concrete
- Furnishings and Interior Decorations
- Steel Structure
- 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
- Wuhan
- Hangzhou
- Shanghai
- Kaifeng
- Mengcheng

Building Materials Business

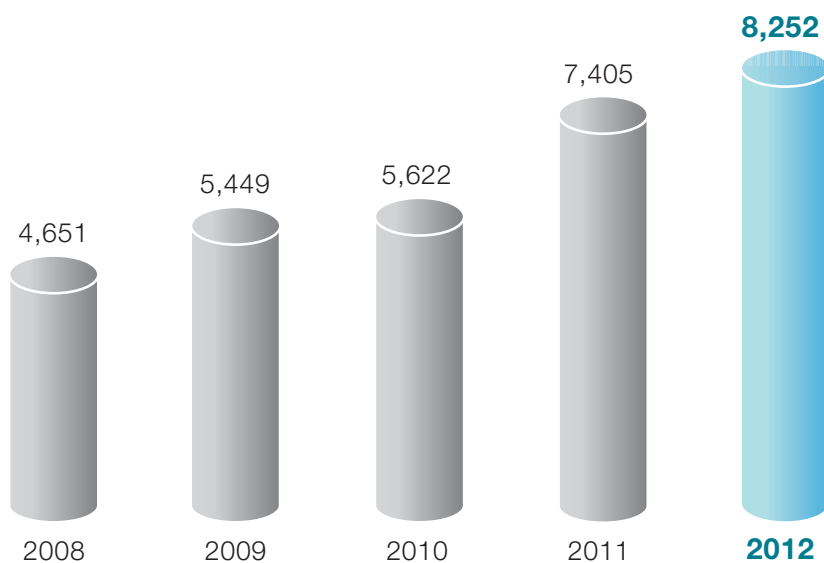
- Shaoxing Building Materials Industrial Park
- Hefei Building Materials Industrial Park
- Wuhan Building Materials Industrial Park

Financial Highlights

Revenue

(in RMB million)

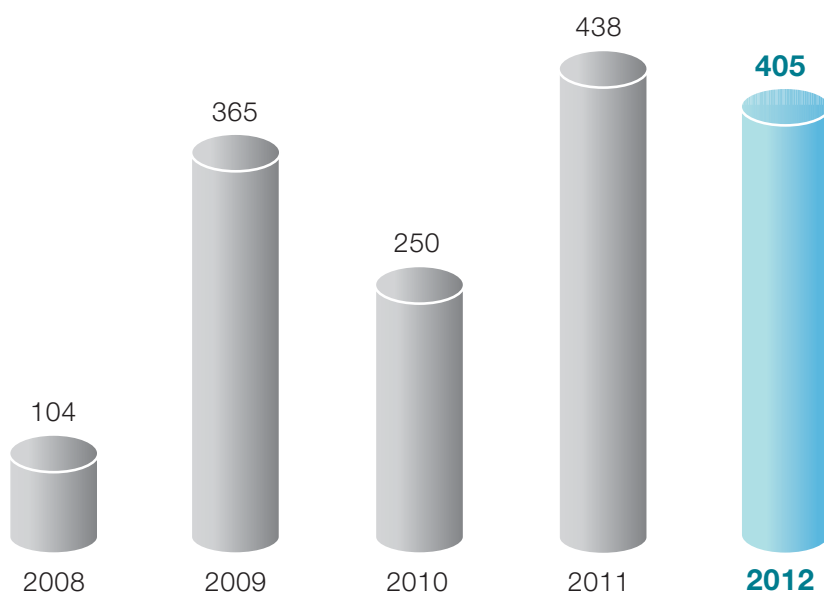
(For the six months ended 30 June)



Profit Attributable to the Owners of the Company

(in RMB million)

(For the six months ended 30 June)



Financial Highlights (continued)

	2012 RMB'000	For the six months ended 30 June			
		2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Results					
Revenue	8,252,261	7,405,059	5,622,448	5,448,916	4,650,875
Profit Attributable to the Owners of the Company	405,322	437,797	250,309	364,899	103,634
Earnings per Share (RMB)	0.61	0.66	0.38	0.55	0.16
Assets and Liabilities					
Total Assets	12,996,376	11,616,740	10,949,164	9,591,586	8,731,041
Total Liabilities	8,270,694	7,455,948	7,348,105	6,235,606	5,788,333
Total Equity	4,725,682	4,160,792	3,601,059	3,355,980	2,942,708

Key Financial Ratios

	As at 30 June	
	2012	2011
Return on Equity of the Company	8.7%	10.7%
Net Assets Value per Share (RMB)	6.99	6.19
Net Cash Ratio	13.0%	39.0%
Current Ratio	1.30	1.36
Cash Inflow from Operating Activities (RMB'000)	242,179	84,649

Condensed Consolidated Interim Financial Information

INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	582,020	588,262
Property, plant and equipment	8	1,011,122	960,390
Goodwill	8	16,534	16,534
Properties under development		369,129	369,129
Investment in the jointly controlled entity		–	8,759
Loan to the jointly controlled entity	25	246,196	189,757
Investment in associates		25,566	2,857
Loan to associates	25	31,700	–
Available-for-sale financial assets		11,561	11,479
Deferred income tax assets		194,566	192,111
		2,488,394	2,339,278
Current assets			
Inventories		124,275	143,911
Properties under development		2,797,966	2,601,982
Completed properties held for sale		569,807	620,281
Due from customers on construction contracts	9	1,724,221	1,685,703
Trade receivables	10	901,358	935,965
Other receivables	11	2,382,425	2,370,499
Restricted bank deposits		241,298	527,521
Cash and cash equivalents		1,766,632	1,878,422
		10,507,982	10,764,284
Total assets		12,996,376	13,103,562
EQUITY			
Equity attributable to the owners of the Company			
Share capital	12	662,964	662,964
Share premium	12	847,295	847,295
Reserves	13	116,709	116,831
Retained earnings			
– Proposed dividends		–	139,222
– Others		3,010,164	2,604,842
		4,637,132	4,371,154
Non-controlling interests		88,550	76,556
Total equity		4,725,682	4,447,710

Condensed Consolidated Interim Financial Information (continued)

	<i>Note</i>	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	15	171,000	210,000
Deferred income tax liabilities		39,987	38,910
		210,987	248,910
Current liabilities			
Trade payables	14	1,938,206	1,736,606
Other payables		1,345,379	1,246,566
Receipts in advance	16	1,348,684	1,737,569
Current income tax liabilities		711,041	720,420
Due to customers on construction contracts	9	1,345,075	1,565,881
Dividends payables		139,222	–
Borrowings	15	1,232,100	1,399,900
		8,059,707	8,406,942
Total liabilities		8,270,694	8,655,852
Total equity and liabilities		12,996,376	13,103,562
Net current assets		2,448,275	2,357,342
Total assets less current liabilities		4,936,669	4,696,620

The notes on pages 13 to 25 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Note	Unaudited Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Revenue	6	8,252,261	7,405,059
Cost of sales		(7,480,765)	(6,546,782)
Gross profit		771,496	858,277
Other income	17	52,397	23,421
Other gains – net	18	6,328	4,538
Selling and marketing costs		(18,358)	(17,720)
Administrative expenses		(172,563)	(157,059)
Operating profit	19	639,300	711,457
Finance costs	20	–	(10,155)
Share of loss of jointly controlled entity		(8,759)	(1,308)
Share of losses of associates		(5,538)	(507)
Profit before income tax		625,003	699,487
Income tax expense	21	(217,687)	(258,321)
Profit for the period		407,316	441,166
Attributable to:			
– Owners of the Company		405,322	437,797
– Non-controlling interests		1,994	3,369
		407,316	441,166
Earnings per share for profit attributable to the owners of the Company			
– basic and diluted (expressed in RMB per share)	22	RMB0.61	RMB0.66
Dividends	23	–	–

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Profit for the period	407,316	441,166
Other comprehensive income:		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	(184)	(1,890)
Change in fair value of available-for-sale financial assets, net of tax	62	62
Other comprehensive income for the period, net of tax	(122)	(1,828)
Total comprehensive income for the period	407,194	439,338
Total comprehensive income attributable to:		
– Owners of the Company	405,200	435,969
– Non-controlling interests	1,994	3,369
	407,194	439,338

The notes on pages 13 to 25 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Unaudited						
	Attributable to the owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 period	-	-	-	437,797	437,797	3,369	441,166
Other comprehensive income							
Transfer of reserves to income statement upon sale of revaluated properties	-	-	(1,890)	-	(1,890)	-	(1,890)
Change in fair value of available-for-sale financial assets	-	-	62	-	62	-	62
Total comprehensive income for the period	-	-	(1,828)	437,797	435,969	3,369	439,338
Transactions with owners:							
Capital contribution by non-controlling interests	-	-	-	-	-	2,000	2,000
Dividends	-	-	-	(106,074)	(106,074)	(3,950)	(110,024)
Total transactions with owners	-	-	-	(106,074)	(106,074)	(1,950)	(108,024)
Balance at 30 June 2011	662,964	847,295	99,043	2,493,874	4,103,176	57,616	4,160,792

The notes on pages 13 to 25 form an integral part of these interim consolidated financial statements.

	Unaudited						
	Attributable to the owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 period	-	-	-	405,322	405,322	1,994	407,316
Other comprehensive income							
Transfer of reserves to income statement upon sale of revaluated properties	-	-	(184)	-	(184)	-	(184)
Change in fair value of available-for-sale financial assets	-	-	62	-	62	-	62
Total comprehensive income for the period	-	-	(122)	405,322	405,200	1,994	407,194
Transactions with owners:							
Capital contribution by non-controlling interests	-	-	-	-	-	10,000	10,000
Dividends	-	-	-	(139,222)	(139,222)	-	(139,222)
Total transactions with owners	-	-	-	(139,222)	(139,222)	10,000	(129,222)
Balance at 30 June 2012	662,964	847,295	116,709	3,010,164	4,637,132	88,550	4,725,682

The notes on pages 13 to 25 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Cash generated from operations	525,045	344,767
Interest paid	(54,402)	(19,381)
Income tax paid	(228,464)	(240,737)
Net cash inflow from operating activities	242,179	84,649
Net cash (outflow)/inflow from investing activities	(157,169)	14,227
Net cash outflow from financing activities	(196,800)	(40,831)
Net (decrease)/increase in cash and cash equivalents	(111,790)	58,045
Cash and cash equivalents at beginning of period	1,878,422	1,947,888
Cash and cash equivalents at end of period	1,766,632	2,005,933

The notes on pages 13 to 25 form an integral part of these interim consolidated financial statements.

SELECTED NOTES TO THE INTERIM FINANCIAL INFORMATION

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, development and sale of properties and manufacturing and distribution of building materials in the PRC.

This condensed consolidated interim financial information for the six months ended 30 June 2012 (the “Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated. The publishing of this Interim Financial Information has been approved by the Board of Directors on 20 August 2012.

This Interim Financial Information has not been audited.

2. Basis of Preparation

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants.

3. Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

The new and amended accounting standards, as well as the interpretations, which are mandatory for the financial year beginning on 1 January 2012, are not relevant or have no impact to the Group’s Interim Financial Information.

SELECTED NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

4. Estimates

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key factors leading to uncertainty of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

5. Financial Risk Management

5.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There were no changes in any risk management policies during the six months ended 30 June 2012.

5.2 Foreign Currency Risk, Interest Rate Risk and Liquidity Risk

Compared to 31 December 2011, there was no material change in the balance of monetary assets and liabilities denominated in foreign currencies such as U.S dollar ("USD"), Djibouti Franc ("DJF") and etc. as at 30 June 2012. For the interest rate of the bank borrowings as at 30 June 2012, there was no material change compared to that at the end of 2011.

In addition, compared to 31 December 2011, there was no material change in the contractual undiscounted cash out flows for financial liabilities as at 30 June 2012.

5.3 Fair Value Estimation

The Group's main financial instruments carried at fair value are available-for-sale financial assets, and their valuation method is the same as that applied to the consolidated financial statements for the year ended 31 December 2011.

During the period under review, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

During the period under review, there were no reclassifications of financial assets.

6. Segment Information

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

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

The unaudited segment information provided to executive directors for the reportable segments for the six months ended 30 June 2012 is as follows:

	Six months ended 30 June 2012				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Total revenue	6,750,049	1,063,469	865,632	59,888	8,739,038
Inter-segment revenue	(334,875)	–	(137,292)	(14,610)	(486,777)
Revenue (from external customers)	6,415,174	1,063,469	728,340	45,278	8,252,261
Operating profit/(loss)	205,547	416,177	26,832	(9,256)	639,300
Depreciation	16,541	1,393	21,933	6,668	46,535
Amortisation	2,832	–	2,185	1,225	6,242
Reversal of impairment of receivables	379	–	(887)	–	(508)
Share of loss of jointly controlled entity	–	8,759	–	–	8,759
Share of losses of associates	–	2,702	2,836	–	5,538
Income tax expense	46,998	165,129	4,651	909	217,687

SELECTED NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)**6. Segment Information** (continued)

The unaudited segment information provided to executive directors for the reportable segments for the six months ended 30 June 2011 is as follows:

	Six months ended 30 June 2011				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Total revenue	5,824,725	1,106,695	770,674	82,620	7,784,714
Inter-segment revenue	(271,481)	–	(101,558)	(6,616)	(379,655)
Revenue (from external customers)	5,553,244	1,106,695	669,116	76,004	7,405,059
Operating profit	170,713	500,642	34,415	5,687	711,457
Depreciation	17,223	1,450	22,873	6,907	48,453
Amortisation	3,138	–	2,566	1,037	6,741
Impairment of receivables	(626)	–	1,405	(268)	511
Share of loss of jointly controlled entity	–	1,308	–	–	1,308
Share of losses of associates	–	507	–	–	507
Income tax expense	39,418	205,036	11,102	2,765	258,321

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

Revenue derived from a single external customer was less than 10% of the Group's total revenue for the six months ended 30 June 2012.

7. 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 is analysed as follows:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Opening net book amount as at 1 January	588,262	556,193
Amortisation	(6,242)	(6,741)
Closing net book amount as at 30 June	582,020	549,452

8. Property, Plant and Equipment and Goodwill

	Property, plant and equipment RMB'000	Goodwill RMB'000
Six months ended 30 June 2011		
Opening net book amount as at 1 January 2011	912,660	16,534
Additions	64,514	–
Disposals	(4,826)	–
Depreciation	(48,453)	–
Closing net book amount as at 30 June 2011	923,895	16,534
Six months ended 30 June 2012		
Opening net book amount as at 1 January 2012	960,390	16,534
Additions	106,759	–
Disposals	(9,492)	–
Depreciation	(46,535)	–
Closing net book amount as at 30 June 2012	1,011,122	16,534

There was no indication of impairment for non-financial assets during the period under review.

SELECTED NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

9. Due from/(to) Customers on Construction Contracts

	30 June 2012 RMB'000	31 December 2011 RMB'000
Contract costs incurred plus recognised profits (less recognised losses) to date	42,713,606	40,534,486
Less: progress billings to date	(42,334,460)	(40,414,664)
	379,146	119,822
Represented by:		
Due from customers on construction contracts	1,724,221	1,685,703
Due to customers on construction contracts	(1,345,075)	(1,565,881)
	379,146	119,822

10. Trade Receivables

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade receivables	937,259	972,374
Less: provision for doubtful debts	(35,901)	(36,409)
	901,358	935,965

10. Trade Receivables (continued)

Customers are generally granted credit terms of 1 to 3 months for construction business, 1 to 12 months for building materials business and no credit terms for property development business. The ageing analysis of the trade receivables is as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 3 months	412,457	557,479
3 months to 1 year	327,307	225,516
1 to 2 years	89,593	75,512
2 to 3 years	64,096	64,502
Over 3 years	43,806	49,365
	937,259	972,374

11. Other Receivables

	30 June 2012 RMB'000	31 December 2011 RMB'000
Retention money and project deposits	969,685	883,578
Prepayments for the land use rights for properties under development	1,009,742	1,108,480
Prepayments for others	92,912	78,066
Others	310,086	300,375
	2,382,425	2,370,499

SELECTED NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

12. Share Capital and Premium

	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Balances as at 1 January 2011, 31 December 2011 and 30 June 2012	662,964	847,295	1,510,259

As at 30 June 2012 and 31 December 2011, the total authorised number of ordinary shares is 662,964,005 with a par value of RMB1.00 per share. All issued shares are fully paid.

13. Reserves

	Assets revaluation reserve RMB'000	Available- for-sale financial assets reserve RMB'000	Statutory surplus reserve RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2011					
Balance as at 1 January 2011	9,336	4,132	100,990	(13,587)	100,871
Transfer of reserves to income statement upon sale of revaluated properties	(1,890)	–	–	–	(1,890)
Revaluation of available-for-sale financial assets	–	82	–	–	82
Revaluation – tax	–	(20)	–	–	(20)
Balance as at 30 June 2011	7,446	4,194	100,990	(13,587)	99,043
Six months ended 30 June 2012					
Balance as at 1 January 2012	4,115	3,104	123,199	(13,587)	116,831
Transfer of reserves to income statement upon sale of revaluated properties	(184)	–	–	–	(184)
Revaluation of available-for-sale financial assets	–	82	–	–	82
Revaluation – tax	–	(20)	–	–	(20)
Balance as at 30 June 2012	3,931	3,166	123,199	(13,587)	116,709

14. Trade Payables

The ageing analysis of the trade payables is as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 3 months	1,223,066	968,738
3 months to 1 year	467,803	368,630
1 to 2 years	105,564	235,428
2 to 3 years	77,897	91,061
Over 3 years	63,876	72,749
	1,938,206	1,736,606

15. Borrowings

	30 June 2012 RMB'000	31 December 2011 RMB'000
Non-current liabilities		
Long-term bank borrowings		
– Secured (Note (a))	171,000	140,000
– Guarantee by the companies within the Group	–	70,000
	171,000	210,000
Current liabilities		
Short-term bank borrowings		
– Secured (Note (a))	45,000	365,000
– Unsecured with guarantee (Note (b))	424,600	350,000
– Guarantee by the companies within the Group	762,500	684,900
	1,232,100	1,399,900
	1,403,100	1,609,900

SELECTED NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

15. Borrowings (continued)

Movement in borrowings is analysed as follows:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Opening amount as at 1 January	1,609,900	565,163
Addition of borrowings	1,358,100	321,287
Repayments of borrowings	(1,564,900)	(350,000)
Closing amount as at 30 June	1,403,100	536,450

Notes:

- (a) As at 30 June 2012, the secured bank loans were secured by the respective land use rights, property, plant and equipment and properties under development of the Group with a total net book value amounted to RMB679,160,000 (as at 31 December 2011: RMB917,721,000).
- (b) These loans are jointly guaranteed by Mr. Pang Baogen and the Company.

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

All the carrying amounts of bank borrowings are denominated in RMB. The weighted average effective annual interest rate of bank borrowings at 30 June 2012 was 6.48% (as at 31 December 2011: 6.19%)

16. Receipts in Advance

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

17. Other Income

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

18. Other Gains – Net

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Government compensation	4,430	325
Gains on disposals of property, plant and equipment	1,426	594
Gains on settlement of the long aged payables	–	3,521
Others	472	98
	6,328	4,538

19. Operating Profit

The following items have been charged to the operating profit during the period under review.

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Depreciation of property, plant and equipment	46,535	48,453
Amortisation of land use rights	6,242	6,741
Employee benefit expenses	1,791,383	1,282,605
Cost of construction contracts	4,496,208	4,141,268
Cost of properties sold	627,323	572,832
Cost of inventories sold	611,538	542,347
Operating leases of buildings	5,328	2,934

20. Finance Costs

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Interest on borrowings wholly repayable within five years	54,402	19,381
Less: interest capitalised in properties under development	(54,402)	(9,226)
	–	10,155

SELECTED NOTES TO THE INTERIM FINANCIAL INFORMATION (continued)

21. Income Tax Expense

(i) Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group has no assessable profit earned in or derived from Hong Kong for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

(ii) PRC Corporate Income Tax

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

The Company and its subsidiaries are subject to CIT at a rate of 25% (2011: 25%).

(iii) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of 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:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Current income tax		
– PRC CIT	134,302	152,564
– PRC land appreciation tax	84,783	110,804
Deferred income tax, net	(1,398)	(5,047)
	217,687	258,321

22. Earnings Per Share

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Company by the ordinary shares in issue during the period under review.

	Six months ended 30 June	
	2012	2011
Profit attributable to the owners of the Company (RMB'000)	405,322	437,797
Ordinary shares in issue during the period under review (thousands shares)	662,964	662,964
Basic earnings per share (RMB)	0.61	0.66

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

23. Dividends

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil). A final dividend of RMB0.21 per ordinary share for 2011, amounting to total dividend of RMB139,222,000, approved at the annual general meeting of the Company on 15 June 2012, was paid on 25 July 2012.

24. Financial Guarantee

	30 June 2012 RMB'000	31 December 2011 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	180,483	256,592

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

25. Related-party transactions

During the period under review, the Group made additional advances to the jointly controlled entity in the amount of approximately RMB59,200,000. These advances are unsecured, bearing interest at 6.67% per annum in 2012 with no fixed terms of repayment (2011: 7.34%). The Group also made advances to associates in the amount of approximately RMB31,700,000. These advances should be repaid in two years, bearing interest at 4% per annum.

Apart from the related party transaction disclosed above and in Note 15(b), the Group had no other significant related party transactions during the six months ended 30 June 2012.

Management

Discussion and Analysis



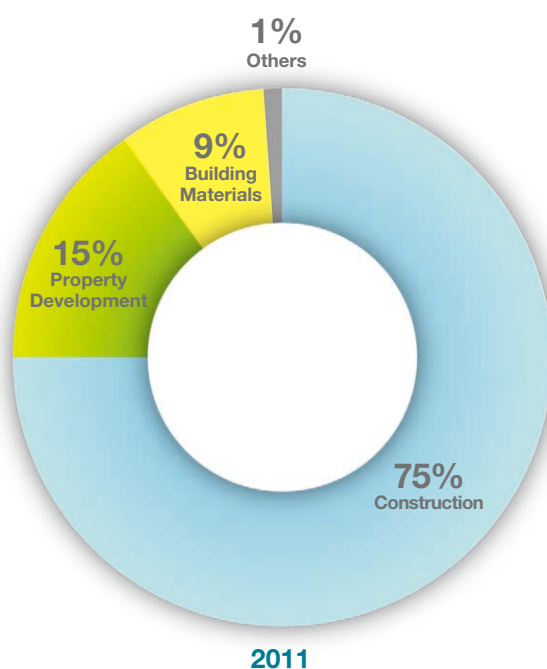
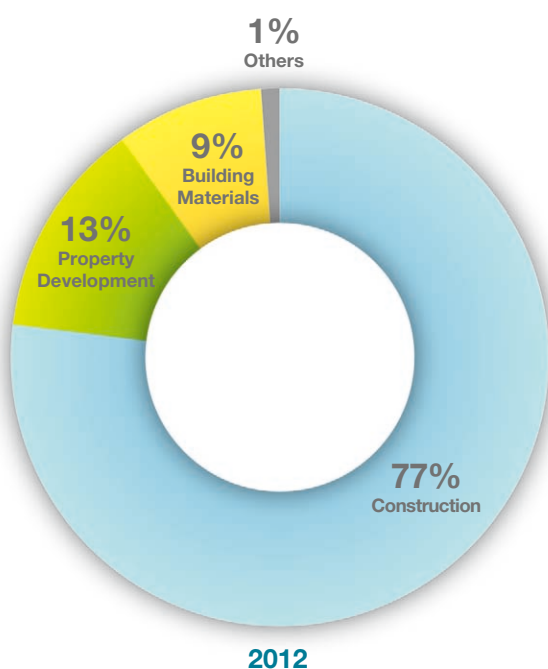
Results Review

For the six months ended 30 June 2012, the Group achieved a consolidated revenue of approximately RMB8,252,261,000, representing an increase of approximately 11% from the corresponding period last year; operating profit amounted to approximately RMB639,300,000, representing a decrease of approximately 10% from the corresponding period last year; profit attributable to the owners of the Company amounted to approximately RMB405,322,000, representing a decrease of approximately 7% compared to the same period last year; earnings per share was approximately RMB0.61, representing a decrease of approximately 8% compared to the same period last year. During the period under review, the decrease in operating profit was mainly due to the changes in sales mix of the property development business compared to the same period last year, resulting from reduction in operating profit margin.

Revenue

For the six months ended 30 June

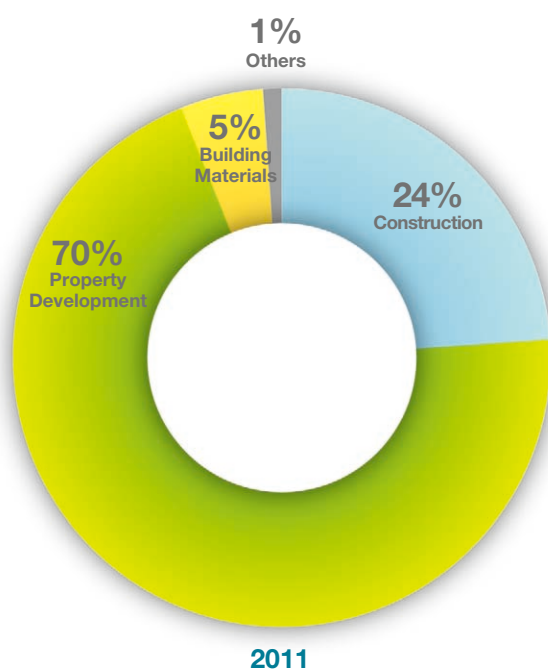
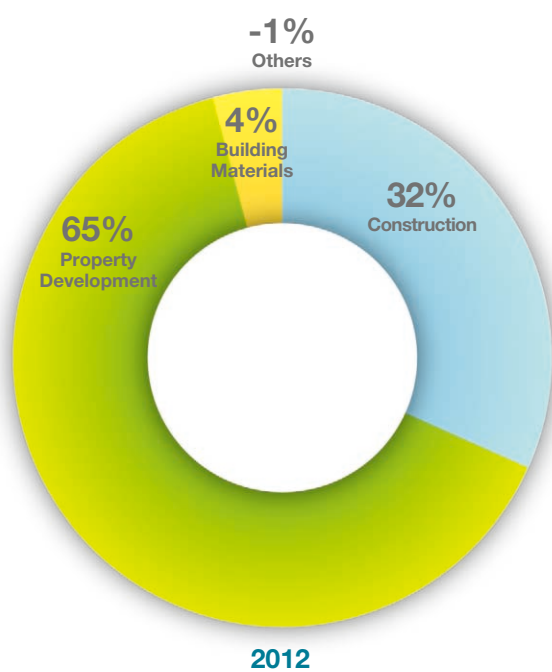
	2012		2011		Change
	RMB'000	% of total	RMB'000	% of total	
Construction	6,415,174	77%	5,553,244	75%	16%
Property Development	1,063,469	13%	1,106,695	15%	-4%
Building Materials	728,340	9%	669,116	9%	9%
Others	45,278	1%	76,004	1%	-40%
Total	8,252,261	100%	7,405,059	100%	11%



Operating Profit

For the six months ended 30 June

	2012		2011		Change
	RMB'000	% of total	RMB'000	% of total	
Construction	205,547	32%	170,713	24%	20%
Property Development	416,177	65%	500,642	70%	-17%
Building Materials	26,832	4%	34,415	5%	-22%
Others	(9,256)	-1%	5,687	1%	-263%
Total	639,300	100%	711,457	100%	-10%



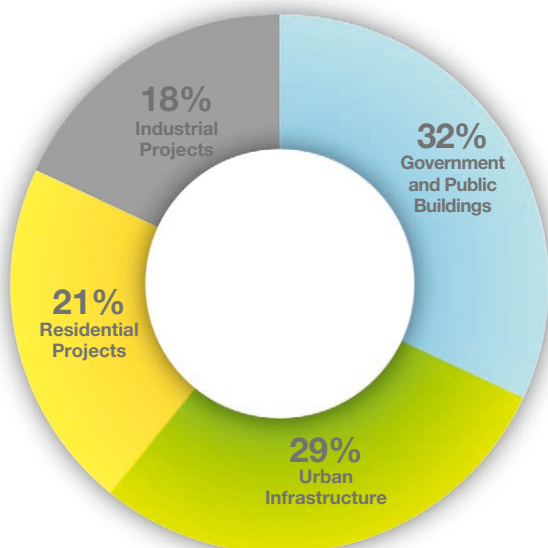
Construction Business

For the six months ended 30 June 2012, the Group's construction business achieved a revenue of approximately RMB6,415,174,000, representing a growth of approximately 16% over the same period last year. Operating profit amounted to approximately RMB205,547,000, representing an increase of approximately 20% over the same period last year.

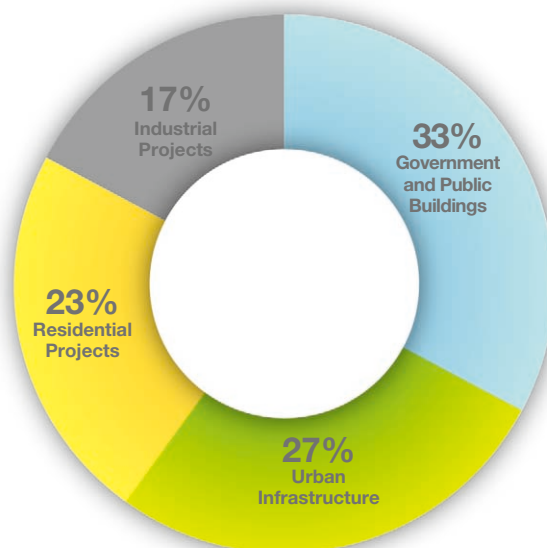
As at 30 June 2012, the Group's total contract value under construction-in-progress amounted to approximately RMB42,713,606,000, representing an increase of approximately 14% over the same period last year. The total contract value for the Group's construction-in-progress is analysed as follows:

By project nature:

	As at 30 June				Change
	2012		2011		
	RMB'000	% of total	RMB'000	% of total	
Government and Public Buildings	13,668,354	32%	12,375,014	33%	10%
Urban Infrastructure	12,386,946	29%	10,125,012	27%	22%
Residential Projects	8,969,857	21%	8,625,010	23%	4%
Industrial Projects	7,688,449	18%	6,375,007	17%	21%
Total	42,713,606	100%	37,500,043	100%	14%



2012



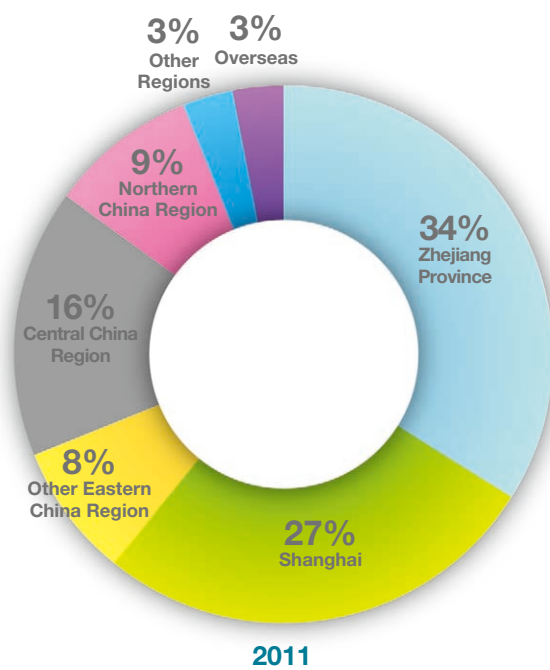
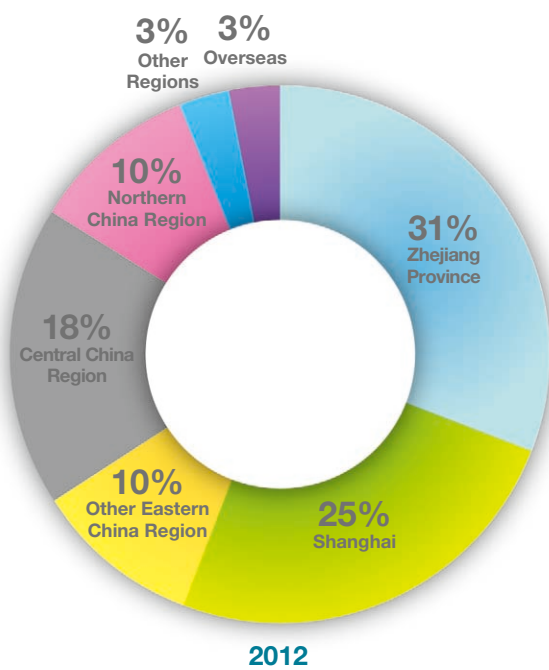
2011

By region:

As at 30 June

	2012		2011		Change
	RMB'000	% of total	RMB'000	% of total	
Zhejiang Province	13,241,218	31%	12,750,015	34%	4%
Shanghai	10,678,402	25%	10,125,012	27%	5%
Other Eastern China Region	4,271,361	10%	2,925,003	8%	46%
Central China Region	7,688,449	18%	6,000,007	16%	28%
Northern China Region	4,271,361	10%	3,525,004	9%	21%
Other Regions	1,324,120	3%	1,125,001	3%	18%
Overseas*	1,238,695	3%	1,050,001	3%	18%
Total	42,713,606	100%	37,500,043	100%	14%

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



During the period under review, both the revenue and operating profit of the Group's construction business still achieved steady growth compared to the same period last year, which were mainly attributable to the priority projects such as government and public buildings, urban infrastructure and high-end properties as its core business, which are located in the Yangtze River Delta region with rampancy economic growth, as well as benefited from the newly developed markets and business expansion which have been positioned in the past few years. During the period under review, the Group has secured new construction contracts amounted to approximately RMB7.5 billion (corresponding period of 2011: RMB8 billion) in value, representing a decline of approximately 6.25% compared to the same period last year, which was due to the slowdown of economy growth, strict regulations on the real estate industry and the shortage of funds of local governments. Under such circumstances, the Group selectively undertakes projects by adopting the principle of controlling business risks at the beginning and improving project quality, and securing a large number of high-end projects such as the Yiwu International Airport Terminal, the logistics warehouse of Global Logistic Properties Lingang in Shanghai, the Block C of Shanghai Wanyuan Town, the Phase II of Continental Tyre Plant in Hefei, Jinqian Square and the Centurial Square Jialan Mingxuan project in Tianjin. The Group's overseas construction business also maintained its steady growth. As at 30 June 2012, overseas projects-under-construction amounted to approximately RMB1.2 billion.

Property Development Business

Property Sales

For the six months ended 30 June 2012, the revenue of the Group's property development business amounted to approximately RMB1,063,469,000 (revenue before deductions of sales tax and related levies was approximately RMB1,125,523,000), representing a decrease of approximately 4% over the same period last year. Operating profit amounted to approximately RMB416,177,000, representing a decrease of approximately 17% compared to the same period last year. The decrease in revenue and operating profit of the property development business was mainly due to the changes in sales mix recognised during the period under review, leading to the reduction in selling prices and operating profit.



During the period under review, revenue of property sales was mainly derived from three projects, details of which are set out below:

Project Name	Location	Average Selling Price (RMB/Sqm)	Floor Area Sold (Sqms)	Revenue (RMB'000)
Baoye Four Seasons Garden	Shaoxing	28,574	27,089	774,040
Yangxun Commercial Center	Shaoxing	6,185	31,461	194,589
Baoye Tongcheng Green Garden	Hefei	7,369	11,080	81,644

Projects under Development

As at 30 June 2012, projects under development of the Group are set out below:

Project Name	Location	Total Floor Area Under Development (Sqms)	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	483,000	100%
Daban Fengqing Phase II	Shaoxing	150,000	100%
Yuyuan	Shaoxing	67,500	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 Gongyuan Tianxia	Shanghai	194,000	100%



Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a “province-rank” resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilisation flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from downtown of Shaoxing City, it is known as the “natural treasure in the heart of a city”. Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres with 0.5 time plot ratio and a planned gross floor area of approximately 525,000 square metres for the development of deluxe villas, semi-detached villas, town houses and garden houses, and will be developed into 12 phases. It consists of a golf club and a five-star resort hotel, a country park and a central lakeside garden with full-fledged facilities.

Daban Fengqing is located in Keqiao, Shaoxing County, and has a total site area of approximately 100,000 square metres and an estimated gross floor area of approximately 280,000 square metres. The land is in the development zone of the future central business district of Keqiao, alongside the “dual lake” district, east of Dabanhu, served by well-developed community facilities. The project is positioned as a premier residential property in Keqiao, Shaoxing County and has been developed in two phases. The phase I of approximately 130,000 square metres has been accounted for as revenue in 2011; the phase II of approximately 150,000 square metres is under development, and will be delivered to the owners in the second half of 2012.

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

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



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 have been completed and accounted for as revenue in the past few years. City Green Garden Phase IV, with an estimated gross floor area of approximately 100,000 square metres, is currently under development.

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

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 and convenient transportation and community facilities. The project will be developed into a low-carbon, green and environmental-friendly residential community with multi-storey residential buildings and town houses. This project is under development and the revenue is estimated to be recognised 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 reasonably arranged residential units with well-developed facilities, convenient transportation and rich cultural connotation. The project will be developed in three phases.



Baoye Gongyuan Tianxia 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.

New Land Reserves

During the period under review, the Group had successfully bid for a parcel of land use rights in Mengcheng County, Anhui, at a total consideration of RMB288,630,000. The land has a total site area of approximately 148,000 square metres, of which the Group is interested in 50%. Besides, the Group had also successfully bid for another parcel of land use rights in Kaifeng, Henan, at a total consideration of RMB22,120,000. The land has a site area of approximately 64,000 square metres, of which the Group is interested in 80%. As at the date of this interim report, the Kaifeng project has had a land area of approximately 541,000 square metres.

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

Building Materials Business

For the six months ended 30 June 2012, the revenue of the Group's building materials business was approximately RMB728,340,000, representing an increase of approximately 9% over the same period last year; operating profit was approximately RMB26,832,000, representing a decline of approximately 22% over the same period last year.



The revenue breakdown of the Group's building materials business for the six months ended 30 June 2012 is set out below:

	For the six months ended 30 June		Change
	2012 RMB'000	2011 RMB'000	
Curtain Wall	372,012	255,218	46%
Ready-mixed Concrete	138,068	181,967	-24%
Furnishings and Interior Decorations	116,093	135,198	-14%
Steel Structure	63,506	30,342	109%
Wooden Products and Fireproof Materials	26,966	39,858	-32%
Others	11,695	26,533	-56%
Total	728,340	669,116	9%

During the period under review, the revenue of the building materials business sectors had been increased unevenly throughout with the curtain wall sector maintained its stable growth, which has secured a number of high-end projects such as the Anhui Agriculture University, the Conba Building and the Shaoxing Cultural Centre etc. Whilst the revenue of ready-mixed concrete, furnishings and interior decorations, wooden products and fireproof materials sectors all registered a decline compared to the same period last year, which were mainly due to stiff market competition and reduction in start-up of new construction projects. The decline in operating profit margin for the building materials business was mainly due to increased raw materials and labor costs, as well as the fierce competition. The Group believes that both the revenue and operating profit margin of building materials business will grow steadily when the production capacity of the two building materials industrial parks in Hefei and Wuhan becomes fully utilised.



Through years of development and accumulated experience in housing industrialisation, the Group possesses two industrialised housing technological systems of light steel structure and PC concrete structure and the capability for production and sale of PC concrete structure, articulated with easy construction, accurate assembly, high quality, safety, energy-saving and environmental-friendly, all of which can be widely applied into the underground complex construction projects and affordable housing, supplementing the technological elements for these underground complex construction projects, fabrication of high-rise residential units and broadening the product range of industrialised housing. The Group has contracted for the construction of the Tianmen Lake Public Housing Project for rental in Hefei, which is the first affordable housing built using housing industrialisation construction methodology in Anhui Province. The Group also secured another public housing project for rental in Xinzhan District, Hefei, with an estimated gross floor area of 57,700 square metres, having a total contract value of approximately RMB120,000,000, which is the first high-rise building fabricated complex in Anhui Province and the largest public housing for rental with composite slab and shear wall structure system in China. During the period under review, at the Sino-Japan Housing Industry Meeting held by China and Japan Construction Housing Industry Associations, the Group was elected as one of the four companies for the construction of Sino-Japan model housing in China.

Business Prospect

In the second half of 2012, impacted by the slow recovery of the global economy and the complicated and changing environment of international counterparts, domestic enterprises will face the challenges of increasing raw material and labor costs, worsening financial environment, and deteriorating export market demand. In order to maintain stable economy growth, the Chinese government will continue maintaining the proactive fiscal policy and relaxing monetary policy, investing in infrastructure construction, supporting the technology advancement and energy-saving and environmental-friendly industries, and building construction of affordable housing, all of which provide a favorable operating environment and development opportunity for the Group's businesses in construction and industrialisation of housing.

The Group insists to striving for a management principle in "ensuring a steady and healthy growth rather than looking for exceptional results achievement in short term" and the implementation of efficient contract management. The Group sets new targets for its three main businesses, which are maintaining a stable growth in construction business, speeding up the development of high-quality properties, transforming and upgrading the housing industrialisation business, and propelling the industrialised housing to enhance the company's competition edge and brand image.



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

The Group's construction business mainly consists of government and public buildings and urban infrastructure, which are less risky and will grow steadily in line with the moderate adjustment in macro-economic policy and increase in infrastructural investment by the Central Government.

Leveraged on the premium class certification for general building construction contracting works and its strengths and core competition in the industry, the Group proactively implemented the "two-surpass and two-advance" approach to enter into the markets of infrastructure construction projects in water supplies and transport projects by alignment of design and general contractor role, and by integration of capital financing module and construction-operation model.

As one of the substantial tasks set out in the Twelfth-Five-Year-Plan, affordable housing construction was strongly supported by the government. The Group will seize the opportunity to take an active participation in this large scale construction for government affordable housing.

Property development business contributes substantial profit for the Group

The government persisted to impose rigid measures in regulating the real estate market, aiming to establish a healthier market system for the real estate industry. The Group is confident in the development of real estate market in long time due to the speedy development of urbanisation which is a prime development trend in China.

Compared to the first tier cities, the second and third tier cities in Hubei, Anhui and Henan, which are less affected by austerity macro-economic measures, would have higher residential market and greater development potential. The Group will continue to deepen the property development business in those cities with market-oriented products. The Group always adopts prudent policy to preserve land bank with superior location, reasonable scale, attractive price and great appreciation potential through public bidding to meet the property development in the coming 3 to 5 years, ensuring a sustainable development of the property development business and improving the Group's profitability as a whole. Meanwhile, the Group will speed up the development of existing land reserve and shorten the project development cycle to increase the saleable areas according to the market demand in order to take an advantageous position in the competitive market at all time.



Under the austerity macro-economic measures, the Group converts “risk” into “opportunity” and develops two kinds of products: one is the residential buildings for improvement in living and the other is premium high-end residential units. Supported by the Group’s high quality construction service and energy-saving, environmental-friendly building materials, the property development business will seize the transforming opportunity in the real estate industry and will propel the business transformation by technology advancement.

Housing Industrialisation is an important strategy to sustain continuous growth for the Group

Benefiting from the market demand for energy-saving, low-carbon and green buildings, as well as the government’s policy and the industry environment, the pursue of industrialisation of housing will encompass an unprecedented development phase. At present, the level of most of building structure, building materials and the interior decoration of buildings in China are lower than the standards of environment-protection, comfort and energy-saving, and have problems in technology, construction design and competent standardisation. The pursue of industrialisation of housing can improve modernisation level, integrate the completion set of residential technology and promote the application of environmental-friendly, energy-saving building materials.

Housing industrialisation is interactive with the Group’s main businesses. Driven by the encouragement of government and market discipline, housing industrialisation integrates the features of standardised design, industrialised production of components, assembly construction, as well as combination of intelligence, green and healthy components to construct green, healthy, low-carbon and environmental-friendly housing. With the expansion of the real estate industry, in particular, the large-scale construction of the affordable housing provides a golden development opportunity for the housing industry.

The Group possesses three building materials industrial parks, which are located in Shaoxing, Hefei and Wuhan, and two industrialised housing technological systems of light steel structure and PC concrete structure. Going forward, the Group will continue refining the business process and its strengths, by combining technologies with land resources, participating construction of affordable housing actively and applying the industrialised housing technology into the Group’s construction business and property development business. The Group will realise the integrated development of the three main businesses, the improvement in corporate value and will make contribution to industrialisation of housing and enable it to become a massive new manufacturing industry followed by the automobile industry and home appliance industry, as well as in the areas of energy-saving and emission reduction.



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 period under review, the Group maintained most of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 15% (corresponding period of 2011: 24%) of the total borrowings. In addition, approximately 30% of the total borrowings (corresponding period of 2011: 29%) 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 maintained a net cash position. The Group has sufficient capital resource to expand its business, details of which are analysed below:

	As at 30 June	
	2012	2011
	RMB'000	RMB'000
Cash and cash equivalents	1,766,632	2,005,933
Restricted bank deposits	241,298	130,371
Less: total borrowings	(1,403,100)	(536,450)
Net cash	604,830	1,599,854
Total equity attributable to the owners of the Company	4,637,132	4,103,760
Net cash ratio	13.0%	39.0%

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

Other Key Financial Ratios

	As at 30 June	
	2012	2011
Return on equity of the Company	8.7%	10.7%
Net assets value per share (RMB)	6.99	6.19
Current ratio	1.30	1.36

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 period

Current ratio = current assets/current liabilities

During the period under review, operating profit of the property development business and building materials business decreased slightly, which were largely due to the macro-austerity environment. As such, the return on equity of the Company decreased approximately 18.7% compared to the same period last year. Net assets value per share still achieved an increase of approximately 12.9% compared to the same period last year contributed by the hefty profit. During the period under review, the Group was still in the position of net cash, having a decreased net cash ratio at approximately 13.0% as compared to the same period last year, which was mainly due to the acquisition of various land use rights, pursuant to which the Company paid an aggregate of approximately RMB1.31 billion from the second half of 2011, which was partly financed by internally generated funds and partly financed by increased bank borrowings. As a result of which, the Group's bank borrowings was increased substantially during the period under review.

Cash Flow Analysis

	Note	For the six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Net cash inflow from operating activities	(i)	242,179	84,649
Net cash (outflow)/inflow from investing activities	(ii)	(157,169)	14,227
Net cash outflow from financing activities	(iii)	(196,800)	(40,831)
Net (decrease)/increase in cash and cash equivalents		(111,790)	58,045

Note:

- (i) During the period under review, the net cash inflow from the operating activities was approximately RMB242,179,000, an increase of approximately RMB157,530,000 compared to the same period last year, which was primarily attributable to the satisfactory pre-sale of property units and the collection of trade receivable.
- (ii) During the period under review, the net cash outflow from the investing activities was RMB157,169,000, which was primarily due to the increased investment in property, plant and equipment and the increased loans to the jointly controlled entity.
- (iii) During the period under review, the net cash outflow from the financing activities was RMB196,800,000, which was mainly used for repaying the bank borrowings.

Land Appreciation Tax

The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the HKFRSs and HKAS 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 six months ended 30 June 2012, the Group's land appreciation tax amounted to approximately RMB84,783,000. Besides, the Group is an integrated enterprise with construction, property development and building materials as its three main businesses. Therefore, the financial impact resulting from the tax pronouncement towards the Group's operating results would be minimal.

Administrative Expense

The Group's administrative expense amounted to approximately RMB172,563,000 for the six months ended 30 June 2012 as compared to approximately RMB157,059,000 for the same period last year, representing a moderate increase of approximately 9.9%. Followed by the business expansion and increase of the employees' salaries and benefits, administrative expenses had been increased correspondingly.

Financial Guarantee

	30 June 2012 RMB'000	31 December 2011 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	180,483	256,592

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

Details of the Charges on the Group's Assets

As at 30 June 2012, land use rights, property, plant and equipment and properties under development of the Group with a total net book value amounted to approximately RMB679,160,000 (as at 31 December 2011: approximately 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 and at reasonable costs.

Adjustment of RMB Exchange Rate and Foreign Exchange Risks

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

Dividends

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2012.

Corporate

Governance



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

Corporate Governance Practices

In the opinion of the Board, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to the Listing Rules, except that the role of the chief executive officer of the Group has been assumed by Mr. Pang Baogen, the chairman of the Board.

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

Board of Directors

The Board manages the Group's development strategies and complies with the rules and regulations mandated by the articles of association of the Company in discharging its duties and responsibilities. The Board consists of nine Directors, including five executive Directors, namely, Mr. Pang Baogen (the chairman of the Board), Mr. Gao Lin, Mr. Gao Jiming, Mr. Gao Jun and Mr. Jin Jixiang; one non-executive Director, namely, Mr. Fung Ching, Simon; and three independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis, Mr. Wang Youqing and Mr. Zhao Rulong. Each of Mr. Fung Ching, Simon and Mr. Chan Yin Ming, Dennis has professional accounting qualifications and possess a breath of experience in accounting and financial management. Mr. Wang Youqing has acquired rich law and government management experience. Mr. Zhao Rulong is an expert of the construction industry in China and has acquired rich construction and administrative experience. The composition of the Board reflects a balance between effectiveness and independence. The Board held two meetings during the period under review. All Directors attended the meetings. The relevant senior management and members of the Supervisory Committee had all attended the Board meetings. Directors received notice of Board meetings at least 7 days before the date on which the Board meeting was scheduled to be held and all Directors are offered opportunities to suggest any issue for discussion and to be included in meeting agenda. All the minutes of the Board meeting are filed and accessible to all Directors at any time.

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

Audit Committee

The audit committee of the Board consists of two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Wang Youqing, and one non-executive Director, namely, Mr. Fung Ching, Simon, with Mr. Chan Yin Ming, Dennis as the chairman of the audit committee. The audit committee held one meeting during the period under review, and all of three members attended the meeting. The audit committee discussed the accounting policies as well as critical accounting estimates and assumptions with the management and discussed with the auditors on the audit plan and key audit areas. The audit objectives and the scope of the internal audit department of the Group were also discussed. The interim results of the Group for the six months ended 30 June 2012 had been reviewed by the audit committee before being approved by the Board.

Remuneration Committee

The remuneration committee of the Board comprises two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Zhao Rulong, and one executive Director, namely, Mr. Pang Baogen, with Mr. Chan Yin Ming, Dennis as the chairman of the remuneration committee. The remuneration committee is responsible for assessing the performance of executive Directors, Supervisors and senior management and making suggestion for formulating their remuneration policy, as well as assessing the benefit of the employees.

Nomination Committee

The nomination committee of the Board comprises two independent non-executive Directors, namely, Mr. Wang Youqing and Mr. Zhao Rulong, and one executive Director, namely, Mr. Gao Jiming, with Mr. Wang Youqing as the chairman of the nomination committee. The nomination committee is responsible for reviewing the structure, number of members and composition of the Board, identifying appropriate candidates for the position of Directors, and nominating such persons to be Directors and assessing the independence of the independent non-executive Directors.

Auditors

The re-appointment of PricewaterhouseCoopers as the Company's international auditor and the re-appointment of PricewaterhouseCoopers Zhongtian Certified Public Accountants as the Company's PRC statutory auditor were approved at the annual general meeting which was held on 15 June 2012.

Model Code for Securities Transactions by Directors and Supervisors

The Board and the Supervisory Committee have adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as its own code of conduct for securities transactions by the Directors and Supervisors. Specific enquiries have been made by the Company and all the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2012. If any related employee possess information which may be considered as sensitive to the Company's share price and such information is not public, such employee has to comply with the written guidance, which is as strict as the Model Code.

Investors Relations

The Company pays great attention to maintain good relations with investors and firmly believes that investor relations is an important aspect of a listed company. Transparency and efficiency in disclosing accurate corporate information pertaining to development strategies, operating performance, financial conditions and business prospects are important to investors. In order to transfer more information to the Company's investors and the potential investors, the Group endeavors to interact with 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 newsletter.

The Company regularly arranges meetings for communication between the management and investors and media, which not only enable investors to have a deep knowledge of the Company's business development, but also can provide opportunities to pass investors' suggestions and expectation to the Board and the management.

Other Information

Interests of Directors, Supervisors, Chief Executive and Senior Management

As at 30 June 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 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, were as follows:

Directors/Supervisors/ Chief Executive/ 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%
Supervisor					
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%

Substantial Shareholders of H Shares

As at 30 June 2012, so far as was known to the Directors, the following persons, other than Directors, Supervisors, chief executive and senior management of the Company, have an interest in the shares of the Company as recorded in the register required to be kept under the Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Number of H Shares of the Company Held (Long Position)	Approximate Percentage of the Total Issued H Shares of the Company	Approximate Percentage of the Total Registered Share Capital of the Company
Atlantis Capital Holdings Limited	58,106,000	18.61%	8.76%
Liu Yang*	58,106,000	18.61%	8.76%
Norges Bank	24,964,000	7.99%	3.77%
JPMorgan Chase & Co.	24,082,000	7.71%	3.63%
HSBC Global Asset Management (Hong Kong) Limited	21,800,000	6.98%	3.29%

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

Directors' and Supervisors' Rights to Acquire Shares or Debentures

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

Changes of Directors, Supervisors and Senior Management

During the period under review, there was no changes of Directors, Supervisors and senior management of the Company.

Human Resources

As at 30 June 2012, the Group had a total of approximately 3,647 permanent employees (as at 30 June 2011: 3,720). Also, there were approximately 78,589 indirectly employed construction site workers (as at 30 June 2011: 74,473). These workers were not directly employed by the Group. For the six months ended 30 June 2012, the total employee benefit expenses amounted to approximately RMB1,791,383,000 (the same period in 2011: RMB1,282,605,000). Employee benefit expenses include salary, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Board is continuously working on devising, revising and implementing a more effective employee incentive plan to encourage superior performance of employees to fit into the Group's long term development plan.

Connected Transactions

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

Purchase, Sale or Redemption of Shares of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

Appreciation

The Board would like to take this opportunity to express gratitude to its 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

20 August 2012

Definitions

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

Anhui Baoye	Baoye Anhui Company Limited, a subsidiary of the Company
Baoye Construction	Zhejiang Baoye Construction Group Company Limited, a subsidiary of the Company
Baoye Industrialisation	Zhejiang Baoye Building Materials Industrialisation Company Limited, a subsidiary of the Company
Baoye Real Estate	Zhejiang Baoye Real Estate Group Company Limited, a subsidiary of the Company
Board	the board of Directors
Building materials business	the activities of research and development, production and sale of building materials conducted by the Group
Company Law	the Company Law of the People's Republic of China
Construction business	the activities of undertaking and implementation of construction projects conducted by the Group
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 Hong Kong dollars
HKEx	Hong Kong Exchanges and Clearing Limited
HKFRSs	Hong Kong Financial Reporting Standards
HKAS	Hong Kong Accounting Standard
Hubei Baoye	Baoye Hubei Construction Group Company Limited, a subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
PRC	the People's Republic of China and for the purpose of this interim report only, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan

Definitions (continued)

Property development business	the activities of development of real estate conducted by the Group
RMB	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
The Company/Baoye	Baoye Group Company Limited, a joint stock limited company incorporated in the PRC and listed on the main board of the Stock Exchange
The Group/Baoye Group	the Company and its subsidiaries
The Period	six months ended 30 June 2012

Corporate Information

Board

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

Supervisory Committee 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, 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, PRC
Post Code: 100004

Hong Kong H Share Registrar

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

Principal Banks

Agricultural Bank of China Limited
Bank of China Limited
Bank of Communications
Company Limited
China Construction Bank Corporation
China Minsheng Banking
Corporation Limited
Industrial and Commercial Bank of
China Limited
Industrial Bank Company Limited
Shanghai Pudong Development Bank
Company Limited
Ping An Bank Company Limited

Registered Address

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

Correspondence Address in Hong Kong

Room 1902, MassMutual Tower
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Wanchai, Hong Kong

Authorised Representatives

Mr. Pang Baogen
Mr. Gao Jiming

Stock Code

HKEx ("2355")

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