



BAOYE GROUP COMPANY LIMITED

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

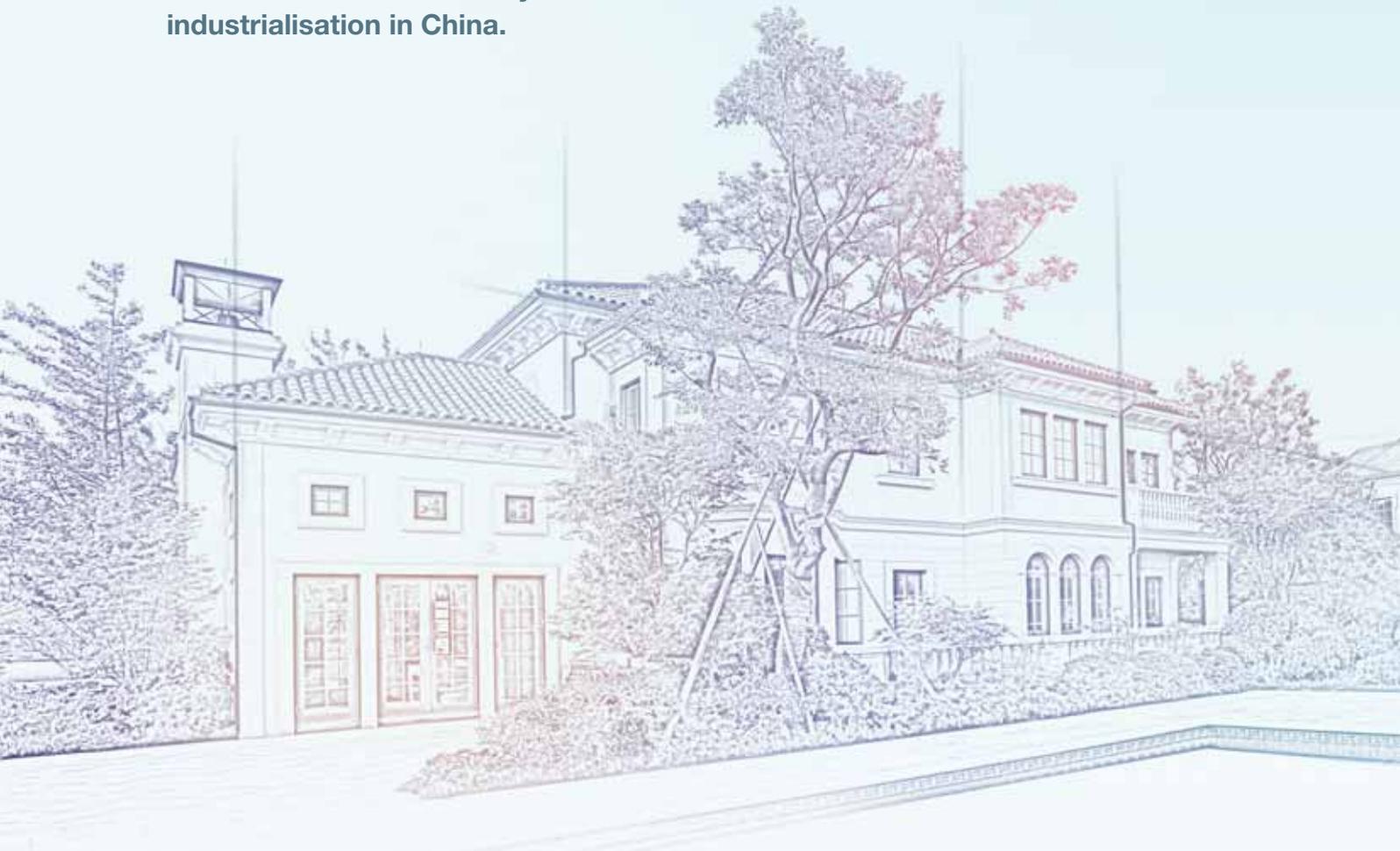
Stock Code : 2355



2013
INTERIM REPORT

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 “Yuyuan”
- Shaoxing “Jiangwan Green Garden”
- Hefei “City Green Garden” Phase IV
- Hefei “Baoye Dongcheng Square”
- Hangzhou “Jiangwan Luyuan”
- Wuhan “Baoye Guanggu Lidu”
- Shanghai “Baoye Wanhuacheng”
- Shanghai “Baoye Centre”
- Bozhou “Baoye Mengdie Luyuan”
- Kaifeng “Kaifeng Project”

Building Materials Business

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

Business Network



Construction Business

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

Property Development Business

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

Building Materials Business

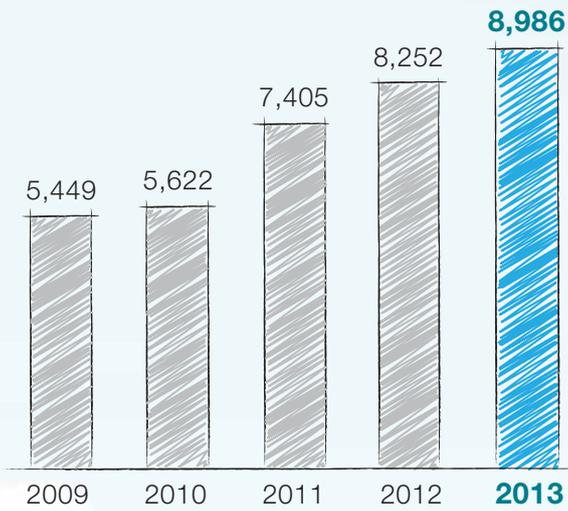
- ▼ Shaoxing Building Materials Industrial Park
- ▼ Hefei Building Materials Industrial Park
- ▼ Wuhan Building Materials Industrial Park

FINANCIAL HIGHLIGHTS

Revenue

(in RMB million)

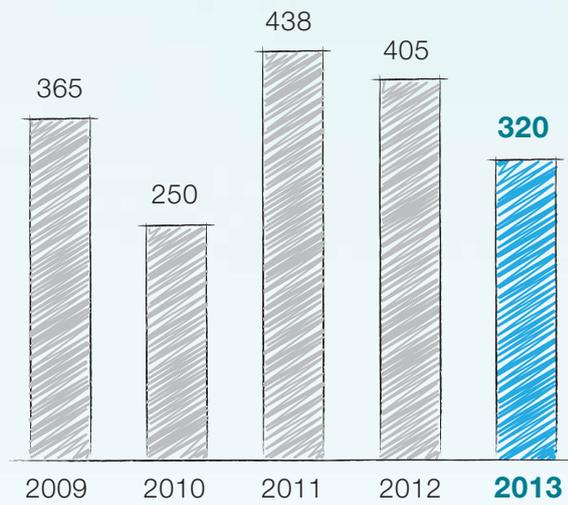
(for the six months ended 30 June)



Profit Attributable to the Owners of the Company

(in RMB million)

(for the six months ended 30 June)



FINANCIAL HIGHLIGHTS (continued)

	For the six months ended 30 June				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Results					
Revenue	8,986,100	8,252,261	7,405,059	5,622,448	5,448,916
Profit Attributable to the Owners of the Company	320,154	405,322	437,797	250,309	364,899
Earnings per Share (RMB)	0.48	0.61	0.66	0.38	0.55
Assets and Liabilities					
Total Assets	14,283,288	12,996,376	11,616,740	10,949,164	9,591,586
Total Liabilities	9,022,453	8,270,694	7,455,948	7,348,105	6,235,606
Total Equity	5,260,835	4,725,682	4,160,792	3,601,059	3,355,980

Key Financial Ratios

	As at 30 June	
	2013	2012
Return on Equity	6.2%	8.7%
Net Assets Value per Share (RMB)	7.79	6.99
Net Cash Ratio	24.7%	13.0%
Current Ratio	1.36	1.30
Cash Inflow from Operating Activities (RMB'000)	350,482	242,179



Management Discussion and Analysis

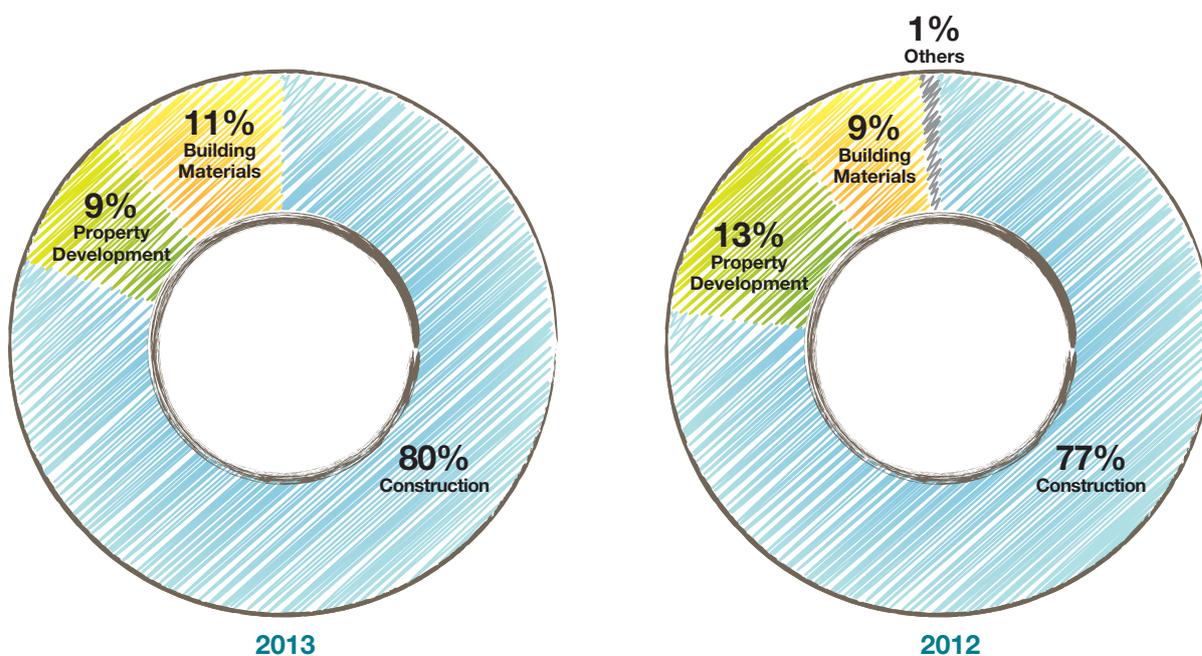
MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Results Review

For the six months ended 30 June 2013, the Group achieved a consolidated revenue of approximately RMB8,986,100,000, representing an increase of approximately 9% from the corresponding period last year; operating profit amounted to approximately RMB426,233,000, representing a decrease of approximately 33% from the corresponding period last year; profit attributable to the owners of the Company amounted to approximately RMB320,154,000, representing a decrease of approximately 21% compared to the same period last year; earnings per share was RMB0.48, representing a decrease of approximately 21% compared to the same period last year. During the period under review, the decrease in operating profit was mainly due to the lower margin properties' sales that were contributed by the lower segment of the property development business and the reductions in profit margin of certain building materials' products compared to the same period last year.

Revenue

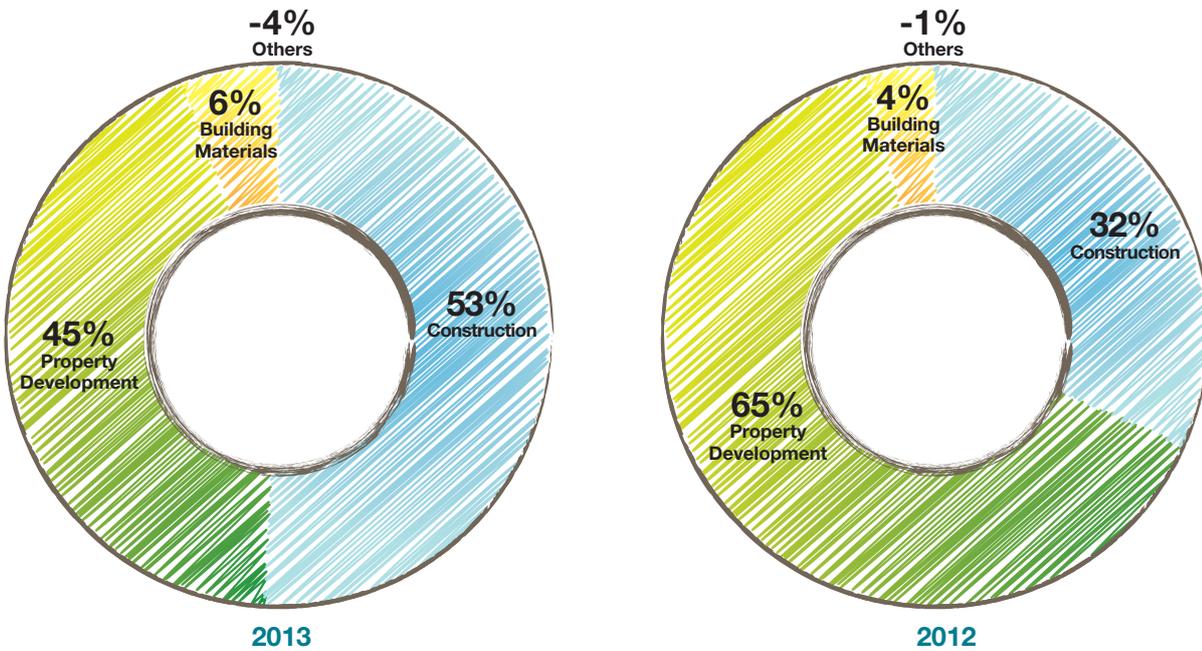
	For the six months ended 30 June				Change
	2013		2012		
	RMB'000	% of total	RMB'000	% of total	
Construction	7,184,307	80%	6,415,174	77%	12%
Property Development	830,183	9%	1,063,469	13%	-22%
Building Materials	937,451	11%	728,340	9%	29%
Others	34,159	0%	45,278	1%	-25%
Total	8,986,100	100%	8,252,261	100%	9%



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Operating Profit

	For the six months ended 30 June				Change
	2013		2012		
	RMB'000	% of total	RMB'000	% of total	
Construction	225,740	53%	205,547	32%	10%
Property Development	193,288	45%	416,177	65%	-54%
Building Materials	23,087	6%	26,832	4%	-14%
Others	(15,882)	-4%	(9,256)	-1%	-72%
Total	426,233	100%	639,300	100%	-33%



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

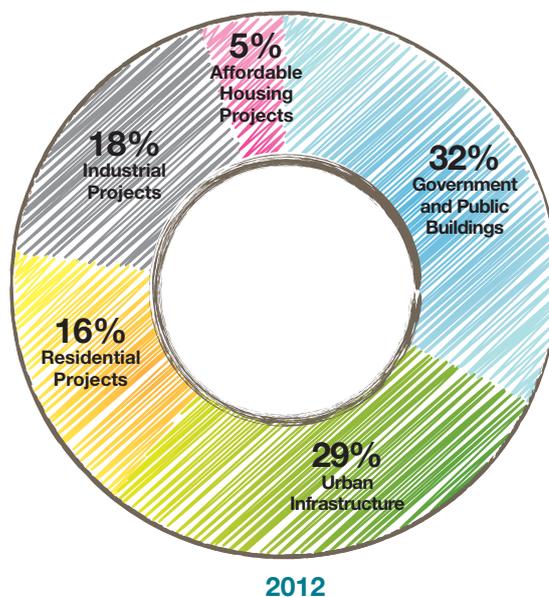
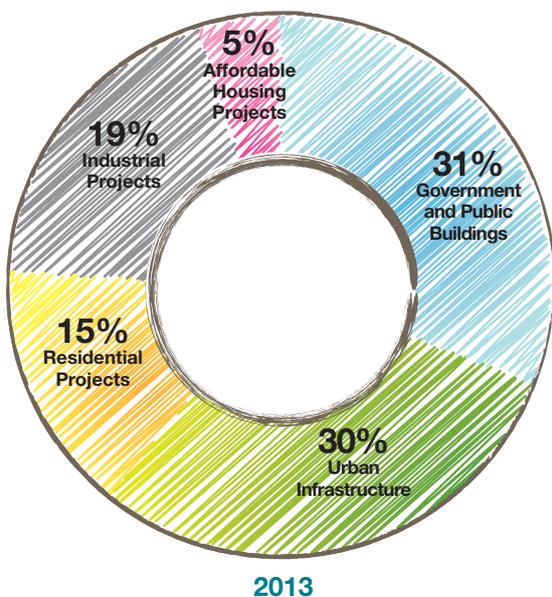
Construction Business

For the six months ended 30 June 2013, the Group's construction business achieved a revenue of approximately RMB7,184,307,000, representing a growth of approximately 12% over the same period last year; operating profit amounted to approximately RMB225,740,000, representing an increase of approximately 10% over the same period last year.

As at 30 June 2013, the Group's total contract value under construction-in-progress amounted to approximately RMB50,750,594,000, representing an increase of approximately 19% over the same period last year. The total contract value for the Group's construction-in-progress is analysed below:

By project nature:

	As at 30 June				
	2013		2012		Change
	RMB'000	% of total	RMB'000	% of total	
Government and Public Buildings	15,783,434	31%	13,668,354	32%	15%
Urban Infrastructure	15,275,929	30%	12,386,946	29%	23%
Residential Projects	7,561,839	15%	6,823,308	16%	11%
Industrial Projects	9,540,531	19%	7,688,449	18%	24%
Affordable Housing Projects	2,588,861	5%	2,146,549	5%	21%
Total	50,750,594	100%	42,713,606	100%	19%

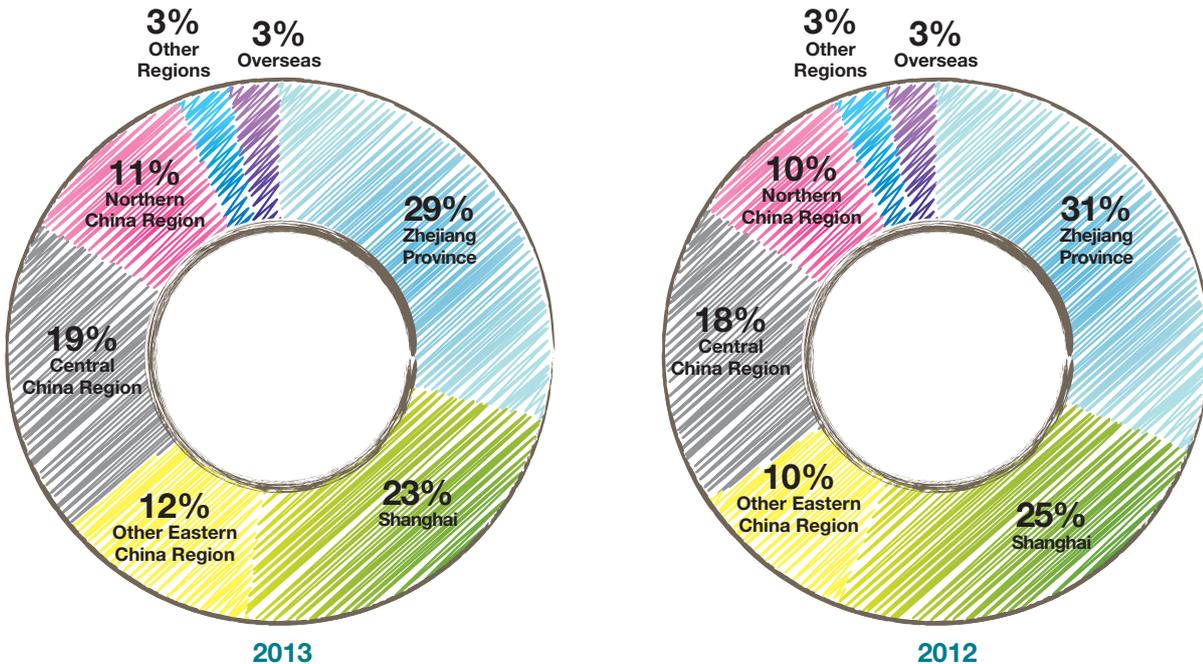


MANAGEMENT DISCUSSION AND ANALYSIS (continued)

By region:

	As at 30 June				
	2013		2012		Change
	RMB'000	% of total	RMB'000	% of total	
Zhejiang Province	14,768,423	29%	13,241,218	31%	12%
Shanghai	11,672,637	23%	10,678,402	25%	9%
Other Eastern China Region	6,090,071	12%	4,271,361	10%	43%
Central China Region	9,642,613	19%	7,688,449	18%	25%
Northern China Region	5,582,565	11%	4,271,361	10%	31%
Other Regions	1,522,518	3%	1,324,120	3%	15%
Overseas*	1,471,767	3%	1,238,695	3%	19%
Total	50,750,594	100%	42,713,606	100%	19%

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



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

During the period under review, both the revenue and operating profit of the Group's construction business continued to achieve steady growth, which were mainly attributable to the adequate orders in hand comprising of premium projects in public buildings, urban infrastructural constructions and high-end properties. The Group strives to adopt the business strategy of "sizable market, high value customers and large projects" and actively replicates the implementation of regional market operational model, which further enhances our market distribution capability and improvement in our project quality. During the period under review, the Group had secured new construction contracts amounted to approximately RMB8.2 billion (corresponding period of 2012: RMB7.5 billion) in value, representing an increase of approximately 9.3% compared to the same period last year, securing a large number of high-end projects, such as Binjiang Yintai Centre in Hangzhou, Tangjiaqiao Bus Station Centre of Wenzhou Transportation Group, the Inspection Site at Meizhou Road in the Free Trade Zone of Dongjiang Barbour in Tianjin, the Utility Tunnel Project of Hunnan New City in Liaoning and the Great Theatre of Cixi City. Besides, the Group seized the opportunity offered by the construction of affordable housing and undertook 4 affordable housing projects with a total contract value of approximately RMB962 million during the period under review.

Property Development Business**Property Sales**

For the six months ended 30 June 2013, the revenue of the Group's property development business amounted to approximately RMB830,183,000 (revenue before deductions of sales tax and related levies was approximately RMB878,711,000), representing a decrease of approximately 22% from the same period last year. Operating profit amounted to approximately RMB193,288,000, representing a decrease of approximately 54% compared to the same period last year. The decrease in revenue and operating profit of the property development business were mainly due to reduction in sales of property units and lower margin properties' sales that were contributed by the lower segment of the property development business as compared to the same period last year. During the period under review, the revenue of property sales was mainly derived from Daban Fengqing Phase II in Shaoxing, of which 85,000 square metres were recognised with a revenue of approximately RMB753,526,000 and an average selling price of approximately RMB8,865 per square metre.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

For the six months ended 30 June 2013, the Group's property development business achieved a contracted sales value of approximately RMB1.1 billion with a total contracted sales area of 155,000 square metres and an average selling price of approximately RMB7,100 per square metre, accounting for approximately 44% of the total sales target in 2013.

Projects under Development

As at 30 June 2013, projects under development of the Group are tabulated below:

Project Name	Location	Total Floor Area Under Development (sqms)	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	450,000	100%
Yuyuan	Shaoxing	42,000	49%
Jiangwan Green Garden	Shaoxing	59,000	100%
City Green Garden Phase IV	Hefei	100,000	100%
Baoye Dongcheng Square	Hefei	228,500	100%
Jiangwan Luyuan	Hangzhou	70,000	100%
Baoye Guanggu Lidu	Wuhan	300,000	100%
Baoye Wanhuacheng	Shanghai	245,000	100%
Shanghai Baoye Centre	Shanghai	27,000	100%
Baoye Mengdie Luyuan	Bozhou	430,000	50%
Kaifeng Project	Kaifeng	800,000	60%



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a “province-rank” resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilisation flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from downtown of Shaoxing City, it is known as the “natural treasure in the heart of a city”. Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres with 0.5 time plot ratio and a planned gross floor area of approximately 525,000 square metres for the development of deluxe villas, semi-detached villas, town houses and garden houses. It also consists of a golf club and a five-star resort hotel, a country park and a central lakeside garden with fullfledged facilities. This project is developed in 12 phases, of which, Lotus Garden and Liu Garden had been delivered to owners, He Garden has almost been sold out, Ming Garden and Run Garden Phase I have been pre-sold with satisfactory results, and Run Garden Phase II and Xi Garden were launched for pre-sale in August 2013.

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. This project has been developed in four phases, of which, the Phase I, Phase II and Phase IV have been delivered to owners.

Jiangwan Green Garden is located in Yangxunqiao, Shaoxing County, with a total site area of approximately 37,870 square metres and an estimated gross floor area of approximately 59,000 square metres. The project consists of high-rise residential buildings, villas, town houses and some commercial units with beautiful scenery and convenient transportation. The project is under development and will be delivered to owners in the second half of 2013.

City Green Garden is located in Yaohai District, a prime developing zone in Hefei City, Anhui, with convenient transportation. It comprises high-end properties with a portion of commercial units and offices. City Green Garden has a total gross floor area of approximately 520,000 square metres, 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 has almost been sold out and will be delivered to owners in the second half of 2013.

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 project comprising residential units, commercial units and offices. It is aimed to be the landmark and commercial centre at Dongmen, East of Hefei. The commercial units will be launched for operation in October 2013 and the residential units will be delivered to owners in 2014.

Jiangwan Luyuan is located in Xiaoshan District, Hangzhou City, having a total site area of approximately 50,000 square metres and a total gross floor area of approximately 70,000 square metres, facing the China Textile City with good location, convenient transportation and community facilities. The project will be developed into a low-carbon, green and environmentally-friendly residential community with multi-storey residential buildings and town houses. This project is under development and is expected to be delivered in the second half of 2013.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Baoye Guanggu Lidu is located in the East Lake New Technology Development Zone in Wuhan City with a total site area of approximately 120,000 square metres and an estimated gross floor area of 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 is developed in three phases, of which, Phase I was launched for pre-sale in August 2013, and is expected to be delivered at the end of 2014.

Baoye Wanhuacheng, located in Huinan, Pudong New District, Shanghai, is positioned in the hub of the prime area of Pudong's golden triangle, surrounded by industrial zones and supported by 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 245,000 square metres, comprising high-rise residential units, town houses and commercial units. The project is to be developed in three phases.

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

Baoye Mengdie Luyuan is located in Mengcheng County, Bozhou City, Anhui Province. It has a total estimated gross floor area of approximately 430,000 square metres, divided into East and West wings, comprising multi-storey units, high-rise residential and shopping units. This project is an ideal place for residential and commercial development with a unique style and convenient transportation. It will be the landmark of Mengcheng County when completed. The project is developed in six phases, of which, Phase I has been sold out and is expected to be delivered to owners in the first half of 2014, and Phase II was launched for pre-sale in June 2013.

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

New Land Reserve

In August 2013, the Group acquired two parcels of new land use rights in Bengbu, Anhui Province and Kaifeng, Henan Province at an aggregate consideration of approximately RMB222,190,000 through public tenders and auctions. The two new parcels of land, being acquired, have an aggregate land area of approximately 169,633 square metres. Details of which are set out below:

Date	Location	Total Land Cost (RMB'000)	Land Area (Sqms)	Equity Interest of the Group	Note
August 2013	Bengbu, Anhui Province	164,500	62,560	63%	Residential
August 2013	Kaifeng, Henan Province	57,690	107,073	60%	Residential

The Group continues to adopt a prudent but proactive role in land acquisition and business expansion. Most of the land reserve of the Group is located in second and third tier cities of Shaoxing, Hefei, Wuhan and Kaifeng, with enormous development potential, all of which will benefit from the lower land costs and scalable regional penetration, enabling the Group to foster the profitability and risk resistance levels.

Building Materials Business

For the six months ended 30 June 2013, the revenue of the Group's building materials business was approximately RMB937,451,000, representing an increase of approximately 29% over the same period last year; operating profit was approximately RMB23,087,000, representing a decrease of approximately 14% over the same period last year. The decrease of operating profit of building materials business was mainly due to the increase in raw materials and labor costs of certain products lines, thus resulting in reduction of operating profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The revenue breakdown of the Group's building materials business for the six months ended 30 June 2013 is analysed below:

	For the six months ended 30 June		Change
	2013 RMB'000	2012 RMB'000	
Curtain Wall	433,516	372,012	17%
Ready-mixed Concrete	173,090	138,068	25%
Furnishings and Interior Decorations	165,353	116,093	42%
Steel Structure	108,116	63,506	70%
Wooden Products and Fireproof Materials	47,083	26,966	75%
Others	10,293	11,695	-12%
Total	937,451	728,340	29%

During the period under review, all segments of the building materials business achieved an uneven increase of revenue and secured a number of high-end projects. The curtain wall sector maintained a steady increase and has secured projects of Shaoxing County Sports Centre, office building of Fuyang Rural Cooperation Bank in Zhejiang Province, Hangzhou Binjiang Yintai Centre and the steel structure sector has secured projects of factory of Yutong Bus Company Limited, Diving Stadium of Shaoxing County Sports Centre and Xiongfeng Yongli Commercial Plaza. Anhui Baoye Building Materials Industrialisation Company Limited has secured the Hefei Binhu Guiyuan PC project, which consists of six public housings, underground parks and two multi-storey commercial buildings, having a total gross floor area of approximately 112,000 square metres and a contract value of approximately RMB270 million, is the largest assemble-type affordable housing project that the Group has ever secured.

During the period under review, the Company and Daiwa House (China) Investment Company Limited have had intention to establish a joint venture, which will be principally engaged in the production, sale, construction, research and development of light steel structure industrialised housing products and is expected to start commercial production in September 2013. Besides this, the installation of the PC production line in Shaoxing Building Materials Park sourced from Germany has been completed and is expected to commence commercial production in September 2013, to capture opportunities from PC concrete industrialisation construction markets in Zhejiang, Jiangsu and Shanghai.

Business Prospect

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

Reaping on the Group's "three-in-one" business model, construction business has successfully attained the mission of "going out of Yangtze River Delta, covering the whole nation through regionalised management centres". In the future, the Group will continue to strengthen its leadership in the markets where it operates and will actively seek new markets entrance in Central and Western China. Seizing the opportunities of the renewed nationwide urbanisation program and the development in Central China as well as reaping on its advantages on the Premium Class Certificate for General Building Construction, construction management, branding effect and competitive edges, the Group will enhance its market share, volume of business. Simultaneously, the Group will continue to cooperate with renowned real estate developers, by adopting the role model of a general contractor on BT (Build-Transfer) in selected projects.

At present, the Central government is actively pursuing the policy of energy-saving and emission reduction on a national level. In order to be a good corporate citizen, the Group has implemented the green and energy-saving policy in preserving green construction, by applying scientific management and technology advancement to conserve resources and to reduce the negative impacts that will impair the quality and safety requirements, aiming to achieve energy-saving, materials-saving, water-saving and environmentally-friendly through improvement in standardisation and efficiency of construction processes. The Group will continue to foster innovative green construction technology and enriching development capability in the areas of quality and technology.

Property development business contributes substantial profit for the Group

The Group will adhere to the strategy of providing diverse products and scalable market penetration in the property development business to strengthen its market shares in second and third tier cities in Hubei, Anhui and Henan, with lower land cost, enormous development potential and a sizable population calling for rigid demand. The Group will seize the opportunity of urbanisation and explore businesses in areas of affordable housing, green and environmentally-friendly residential property, property for the aged and small town construction, in drawing new business opportunities.

The Group will continue to adopt a prudent approach to examine the changes in macro-economic measures and market conditions from time to time to sustain its operation, and take into consideration of the prosperous target projects and preserve land bank where and when appropriate, and ensure that a healthy and sustainable development of the Group's property development business has been attained.

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

The development of construction industrialisation is the fundamental footpath to transform the traditional construction industry, aiming to improve productivity, quality assurance, materials consumption, and environmental protection. Government at all levels have pronounced a series of guidelines and supporting policies to promote housing industrialisation development, especially in the areas of Zhejiang, Shanghai, Anhui and Hubei; and have encouraged the use and application of technology products in housing industrialisation for affordable housing. Leveraged on the continuous government supporting policies, the development of housing industrialisation industry will see an unprecedented development phase.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

As one of the leaders in housing industrialisation construction and with a number of co-operative working experience with the world's renowned enterprises in this field, the Group possesses the capability of standardised design, industrialised production, prefabricated construction and standardised process management to intake industrialised projects including villas, low-rise apartments and high-rise buildings in varied specifications. The Group will cohere with the Group's other two businesses in construction and property development in building energy-saving, environmentally-friendly and comfortable housing to realise the integrated development of its three-in-one business model, as well as thriving a development thrust towards the housing industrialisation construction in China.

Going forward, the Group will focus on its housing industrialisation construction business under the guidance of "China Dream" and will lead "From construction to manufacturing, leads construction industry towards industrialisation in China" in accomplishing its corporate mission and extend its social responsibility towards the building of "a beautiful China".

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 24% (corresponding period of 2012: 15%) of the total borrowings. In addition, approximately 28% of the total borrowings (corresponding period of 2012: 30%) 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resources to expand its business. As at 30 June 2013, the Group has unutilised banking facilities amounting to approximately RMB3.8 billion. Details of the finance are analysed below:

	As at 30 June	
	2013 RMB'000	2012 RMB'000
Cash and cash equivalents	1,899,062	1,766,632
Restricted bank deposits	182,065	241,298
Less: total borrowings	(803,400)	(1,403,100)
Net cash	1,277,727	604,830
Total equity attributable to the owners of the Company	5,164,697	4,637,132
Net cash ratio	24.7%	13.0%

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

Other Key Financial Ratios

	As at 30 June	
	2013	2012
Return on equity	6.2%	8.7%
Net assets value per share (RMB)	7.79	6.99
Current ratio	1.36	1.30

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, the Group's return on equity represents a decrease of approximately 28.7% compared to the same period last year, due to the reduction of property units recognised as revenue in the lower segment, but net assets value per share still has a growth of approximately 11.4% compared to the corresponding period last year. The Group still maintained a position of net cash for the six months ended 30 June 2013 and had a moderate increase in net cash ratio at approximately 24.7% compared to approximately 13.0% of last year, which was mainly due to the fact that a large portion of bank borrowings was being repaid. By the end of the period, the net bank borrowings were approximately RMB803,400,000, representing a decrease of approximately 42.7% compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Cash Flow Analysis

	<i>Note</i>	For the six months ended 30 June	
		2013 RMB'000	2012 RMB'000
Net cash inflow from operating activities	(i)	350,482	242,179
Net cash outflow from investing activities	(ii)	(27,734)	(157,169)
Net cash outflow from financing activities	(iii)	(36,237)	(196,800)
Net increase/(decrease) in cash and cash equivalents		286,511	(111,790)

Note:

- (i) During the period under review, the net cash inflow from operating activities was approximately RMB350,482,000, an increase of approximately RMB108,303,000 compared to the corresponding period last year, which was primarily attributable to the satisfactory pre-sale results of property units and improvement in working capital management.
- (ii) During the period under review, the net cash outflow from investing activities was approximately RMB27,734,000, which was mainly used for purchasing property, plant and equipment.
- (iii) During the period under review, the net cash outflow from financial activities was approximately RMB36,237,000, which was mainly due to the repayment of bank borrowings.

Land Appreciation Tax

The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial Reporting and Accounting Standards in accounting for such tax provision, and has also prepaid the land appreciation taxes based on the sale values multiplied by certain assessed rates determined by the respective local tax authorities where the properties are located. During the period under review, the Group's land appreciation tax amounted to approximately RMB2,254,000.

Administrative Expense

The Group's administrative expense amounted to approximately RMB184,929,000 for the six months ended 30 June 2013 as compared to approximately RMB172,563,000 for the same period last year, representing a moderate increase of approximately 7.2% from the same period last year. Followed by business expansion and an increase in the employees' salaries and benefits, administrative expenses had increased accordingly during the period under review.

Financial Cost

For the six months ended 30 June 2013, the Group had registered no capital financing cost, mainly due to the bank borrowings, which were applied for use in properties development, were entirely capitalised.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Guarantee

	30 June 2013 RMB'000	31 December 2012 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	225,750	255,736

The Group had issued performance guarantees in respect of mortgage facilities granted by a number of banks relating to the mortgage loans arranged for certain purchasers of 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.

Details of the Charges on the Group's Assets

As at 30 June 2013, land use rights and properties under development at a total value of approximately RMB530,024,000 (as at 31 December 2012: RMB566,720,000) were pledged to banks as security in securing bank borrowings.

Capital Expenditure Plan

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

Adjustment of RMB Exchange Rate and Foreign Exchange Risks

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

Dividends

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2013 (corresponding period of 2012: nil).

Corporate Governance



CORPORATE GOVERNANCE (continued)

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 Corporate Governance Code (the “CG Code”) contained 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

For the six months ended 30 June 2013, the Company has complied with all the code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules, except for deviation of provision A.2.1 of the CG Code as mentioned below:

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company deviates from this provision because Mr. Pang Baogen has been performing both the roles of chairman and chief executive officer. The Group has appointed three general managers to oversee and manage the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of the Group’s policies efficiently. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

Board of Directors

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

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

Independent Non-executive Directors

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

Board Committees

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

Audit Committee

The audit committee of the Company consists of two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Wang Youqing, and one non-executive Director, Mr. Fung Ching, Simon, with Mr. Chan Yin Ming, Dennis as the chairman of the audit committee. The audit committee held two meetings during the period under review, and all of the three members attended the meetings. 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 of internal audit department of the Group and the whistle blowing policy were also discussed. The interim results of the Group for the six months ended 30 June 2013 had been reviewed by the audit committee before being approved by the Board.

Remuneration Committee

The remuneration committee comprises two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Zhao Rulong, and one executive Director, namely, Mr. Pang Baogen, with Mr. Chan Yin Ming, Dennis as the chairman of the remuneration committee. The major responsibilities of the remuneration committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors, Supervisors and senior management of the Company, to review and approve the management's remuneration recommendation according to the Board's policy and target, and to take the market forces and comparable industries into consideration when determining the remuneration packages of the Directors, Supervisors and senior management of the Company.

Nomination Committee

The nomination committee comprises two independent non-executive Directors, namely, Mr. Wang Youqing and Mr. Zhao Rulong, and one executive Director, namely, Mr. Gao Jiming, with Mr. Wang Youqing as the chairman of the nomination committee. The main duties of the nomination committee are to review the structure, size and composition of the Board of Directors on a regular basis, to make recommendations to the Board regarding any proposed changes and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of the independent non-executive Directors and providing recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and supervisors.

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 held on 16 June 2013.

Model Code for Securities Transactions by Directors and Supervisors

The Board and the Supervisory Committee have adopted the Model Code as its own code of conduct for securities transactions by the Directors and Supervisors. Specific enquiries have been made by the Company and all the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2013. If any related employee possesses information which may be considered as sensitive to the Company's share price and such information is not public, such employee has to comply with the written guidance, which is as strict as the Model Code.

CORPORATE GOVERNANCE (continued)

Investors Relations

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

Meanwhile, the Company regularly arranges meetings for the management to communicate with investors and mass medias, not only let the investors gain a deep understanding of the Company's business development, but also render their suggestions and expectation to the Board and the management.

Substantial Shareholders of H Shares

As at 30 June 2013, so far as was known to the Directors, the following persons, other than Directors, Supervisors and senior management of the Company, have an interest in the shares of the Company as recorded in the register required to be kept under the Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Number of H Shares of the Company Held (Long Position)	Approximate Percentage of the Total Issued H Shares of the Company	Approximate Percentage of the Total Registered Share Capital of the Company
Atlantis Capital Holdings Limited	35,502,000	11.37%	5.36%
Liu Yang*	35,502,000	11.37%	5.36%
Zhu Yicai	25,188,000	8.06%	3.80%
JP Morgan Chase & Co.	21,904,000	7.02%	3.30%
Norges Bank	20,936,000	6.71%	3.16%
Top Easy Holdings Limited	16,086,000	5.15%	2.43%

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

OTHER INFORMATION

Interests of Directors, Supervisors, Chief Executive and Senior Management

As at 30 June 2013, 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/ Senior Management	Relevant Entity	Capacity	Number of Domestic Shares (Long Position)	Number of H Shares (Long Position)	Approximate Percentage of the Total Registered Capital of the Relevant Entity
Directors					
Mr. Pang Baogen	The Company	Individual	198,753,054	–	29.98%
Mr. Pang Baogen	The Company	Individual	–	6,612,000	1.00%
Mr. Pang Baogen	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	361,244	–	0.71%
Mr. Gao Jiming	The Company	Individual	13,024,647	–	1.96%
Mr. Gao Jiming	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	180,622	–	0.36%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.44%
Mr. Gao Lin	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Gao Jun	The Company	Individual	5,794,259	–	0.87%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.37%
Supervisors					
Yuan Ajin	The Company	Individual	4,803,583	–	0.72%
Senior Management					
Mr. Sun Guofan	The Company	Individual	11,705,283	–	1.77%
Mr. Zhou Hanwan	The Company	Individual	8,233,510	–	1.24%
Mr. Zhou Hanwan	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Wang Rongfu	The Company	Individual	7,147,039	–	1.08%
Mr. Wang Rongfu	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Lou Zhonghua	The Company	Individual	5,633,172	–	0.85%
Mr. Lou Zhonghua	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	–	0.24%
Mr. Wang Rongbiao	The Company	Individual	2,647,911	–	0.40%

OTHER INFORMATION (continued)

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 18 years of age, 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 change of Directors, Supervisors and senior management of the Company.

Human Resources

As at 30 June 2013, the Group had a total of 3,593 permanent employees (as at 30 June 2012: 3,647). Also, there were approximately 78,715 indirectly employed construction site workers (as at 30 June 2012: 78,589). These workers were not directly employed by the Group. For the six months ended 30 June 2013, the total employee benefit expenses amounted to approximately RMB2,027,195,000 (the same period in 2012: RMB1,791,383,000). Employee benefit expenses include salaries, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the Chinese 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, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and devotes to establishing a high quality team to support its long term business development. The Group is continuously working on devising, revising and implementing a more effective employee incentive plan and training plan to encourage superior performance of employees to fit into the Group's long term development plan.

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.

Litigation and Arbitration

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

Entrusted Deposits and Overdue Time Deposits

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

Appreciation

The Board would like to take this opportunity to express its gratitude to the shareholders of the Company, 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

23 August 2013

REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF BAOYE GROUP COMPANY LIMITED

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

Introduction

We have reviewed the condensed interim consolidated financial information set out on pages 30 to 49, which comprises the interim consolidated balance of Baoye Group Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2013 and the related interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 August 2013

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

Interim Consolidated Balance Sheet

As at 30 June 2013

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	570,189	576,183
Property, plant and equipment	7	1,148,963	1,110,218
Goodwill	7	16,534	16,534
Investment in joint venture		–	–
Loan to joint venture	25	248,082	222,854
Investment in associates		25,675	27,888
Loan to associates		36,351	35,668
Available-for-sale financial assets		10,917	12,109
Deferred income tax assets		52,662	53,603
		2,109,373	2,055,057
Current assets			
Inventories		177,405	125,781
Properties under development		4,242,830	3,450,589
Completed properties held for sale		736,358	1,229,182
Due from customers on construction contracts	8	2,168,604	1,976,693
Trade receivables	9	1,206,721	1,291,836
Other receivables	10	1,560,870	1,721,863
Available-for-sale financial assets		–	56,320
Restricted bank deposits		182,065	213,196
Cash and cash equivalents		1,899,062	1,612,551
		12,173,915	11,678,011
Total assets		14,283,288	13,733,068
EQUITY			
Equity attributable to the owners of the Company			
Share capital	11	662,964	662,964
Share premium	11	847,295	847,295
Reserves	12	133,305	135,742
Retained profits			
– Proposed dividends		–	139,222
– Others		3,521,133	3,200,979
		5,164,697	4,986,202
Non-controlling interests		96,138	103,615
Total equity		5,260,835	5,089,817

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

	<i>Note</i>	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	14	–	190,000
Deferred income tax liabilities		39,078	37,795
		39,078	227,795
Current liabilities			
Trade payables	13	2,015,955	1,858,504
Other payables		1,737,179	1,661,677
Receipts in advance	15	2,092,795	1,823,646
Current income tax liabilities		592,158	707,765
Due to customers on construction contracts	8	1,602,666	1,708,864
Dividend payable	22	139,222	–
Borrowings	14	803,400	655,000
		8,983,375	8,415,456
Total liabilities		9,022,453	8,643,251
Total equity and liabilities		14,283,288	13,733,068
Net current assets		3,190,540	3,262,555
Total assets less current liabilities		5,299,913	5,317,612

The notes on pages 37 to 49 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

Interim Consolidated Income Statement

For the six months ended 30 June 2013

	Note	Unaudited Six months ended 30 June	
		2013 RMB'000	2012 RMB'000
Revenue	6	8,986,100	8,252,261
Cost of sales		(8,388,741)	(7,480,765)
Gross profit		597,359	771,496
Other income	16	33,157	52,397
Other gains – net	17	277	6,328
Selling and marketing costs		(19,631)	(18,358)
Administrative expenses		(184,929)	(172,563)
Operating profit	18	426,233	639,300
Finance costs	19	–	–
Share of loss of joint venture		(1,722)	(8,759)
Share of losses of associates		(1,613)	(5,538)
Profit before income tax		422,898	625,003
Income tax expense	20	(99,481)	(217,687)
Profit for the period		323,417	407,316
Profit attributable to:			
– Owners of the Company		320,154	405,322
– Non-controlling interests		3,263	1,994
		323,417	407,316
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB per share)	21	0.48	0.61
Dividends	22	–	–

The notes on pages 37 to 49 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Profit for the period	323,417	407,316
Other comprehensive income:		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	(905)	(184)
Transfer of reserves to income statement upon sale of available-for-sale financial assets, net of tax	(240)	–
Change in fair value of available-for-sale financial assets, net of tax	(895)	62
Other comprehensive income for the period, net of tax	(2,040)	(122)
Total comprehensive income for the period	321,377	407,194
Total comprehensive income attributable to:		
– Owners of the Company	318,114	405,200
– Non-controlling interests	3,263	1,994
	321,377	407,194

The notes on pages 37 to 49 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Unaudited						
	Attributable to the owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Reserves	Retained profits	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 37 to 49 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

	Unaudited							
	Attributable to the owners of the Company						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained profits RMB'000	Total RMB'000			
Balance at 1 January 2013	662,964	847,295	135,742	3,340,201	4,986,202	103,615	5,089,817	
Comprehensive income:								
Profit for the period	-	-	-	320,154	320,154	3,263	323,417	
Other comprehensive income								
Transfer of reserves to income statement upon sale of revaluated properties	-	-	(905)	-	(905)	-	(905)	
Transfer of reserves to income statement upon sale of available-for-sale financial assets	-	-	(240)	-	(240)	-	(240)	
Change in fair value of available-for-sale financial assets	-	-	(895)	-	(895)	-	(895)	
Total comprehensive income for the period	-	-	(2,040)	320,154	318,114	3,263	321,377	
Transactions with owners:								
Acquisition of non-controlling interests in a subsidiary	-	-	(397)	-	(397)	(4,703)	(5,100)	
Dividends	-	-	-	(139,222)	(139,222)	(6,037)	(145,259)	
Total transactions with owners	-	-	(397)	(139,222)	(139,619)	(10,740)	(150,359)	
Balance at 30 June 2013	662,964	847,295	133,305	3,521,133	5,164,697	96,138	5,260,835	

The notes on pages 37 to 49 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Cash generated from operations	587,119	525,045
Interest paid	(24,070)	(54,402)
Income tax paid	(212,567)	(228,464)
Net cash inflow from operating activities	350,482	242,179
Net cash outflow from investing activities	(27,734)	(157,169)
Net cash outflow from financing activities	(36,237)	(196,800)
Net increase/(decrease) in cash and cash equivalents	286,511	(111,790)
Cash and cash equivalents at beginning of the period	1,612,551	1,878,422
Cash and cash equivalents at end of the period	1,899,062	1,766,632

The notes on pages 37 to 49 form an integral part of this condensed interim consolidated financial information.

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 interim consolidated financial information for the six months ended 30 June 2013 (“Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated. This Interim Financial Information has been approved by the Board of Directors on 23 August 2013.

This Interim Financial Information has been reviewed, not audited.

Key Events

There were no key events occurred during the period ended 30 June 2013.

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 Company’s annual financial statements for the year ended 31 December 2012 (“2012 Financial Statements”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

3. Accounting Policies

The accounting policies applied and methods of computation used in the preparation of this Interim Financial Information are consistent with those used in the 2012 Financial Statements, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for annual accounting periods beginning 1 January 2013. The adoption of these new and revised standards, amendments and interpretations does not have an impact on the Group’s result of operation and financial position.

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

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 2012 Financial Statements.

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 2012 Financial Statements.

There were no changes in any risk management policies during the six months ended 30 June 2013.

5.2 Foreign Currency Risk, Interest Rate Risk and Liquidity Risk

Compared to 31 December 2012, 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 2013. For the interest rate of the bank borrowings as at 30 June 2013, there was no material change compared to that at the end of 2012.

In addition, compared to 31 December 2012, there was no material change in the contractual undiscounted cash out flows for financial liabilities as at 30 June 2013.

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 2012 Financial Statements.

During the period, 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, there were no reclassifications of financial assets, as well as no transfer among Levels 1, 2 and 3.

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

6. Segment Information

The executive directors (chief operating decision-makers) 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 joint venture from the operating segments. Other information provided to the executive directors is measured in a manner consistent with that in the financial statements. There is no change in the basis of the segmentation or in the basis of the measurement of the segment profit or loss for the six months ended 30 June 2013 compared to 2012.

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 2013 is as follows:

	Six months ended 30 June 2013				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Total revenue	7,395,172	830,183	1,034,433	56,860	9,316,648
Inter-segment revenue	(210,865)	–	(96,982)	(22,701)	(330,548)
Revenue (from external customers)	7,184,307	830,183	937,451	34,159	8,986,100
Operating profit/(loss)	225,740	193,288	23,087	(15,882)	426,233
Depreciation	16,999	2,878	20,749	13,102	53,728
Amortisation	2,499	–	2,173	1,322	5,994
Impairment of receivables	1,141	–	4,242	–	5,383
Share of loss of joint venture	–	1,722	–	–	1,722
Share of losses of associates	–	–	1,613	–	1,613
Income tax expense	39,152	53,137	6,329	863	99,481

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 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	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
Impairment of receivables	379	–	(887)	–	(508)
Share of loss of joint venture	–	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

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 2013.

There has been no material change in total assets and total liabilities from the amount disclosed in the 2012 Financial Statements.

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

7. Land Use Rights, Property, Plant and Equipment and Goodwill

	Land use rights RMB'000	Property, plant and equipment RMB'000	Goodwill RMB'000
Six months ended 30 June 2012			
Opening net book amount as at 1 January 2012	588,262	960,390	16,534
Additions	–	106,759	–
Disposals	–	(9,492)	–
Amortisation/depreciation	(6,242)	(46,535)	–
Closing net book amount as at 30 June 2012	582,020	1,011,122	16,534
Six months ended 30 June 2013			
Opening net book amount as at 1 January 2013	576,183	1,110,218	16,534
Additions	–	101,040	–
Disposals	–	(8,567)	–
Amortisation/depreciation	(5,994)	(53,728)	–
Closing net book amount as at 30 June 2013	570,189	1,148,963	16,534

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

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

	30 June 2013 RMB'000	31 December 2012 RMB'000
Contract costs incurred plus recognised profits (less recognised losses) to date	50,750,594	46,551,178
Less: progress billings to date	(50,184,656)	(46,283,349)
	565,938	267,829
Represented by:		
Due from customers on construction contracts	2,168,604	1,976,693
Due to customers on construction contracts	(1,602,666)	(1,708,864)
	565,938	267,829

Selected Notes to the Interim Financial Information (continued)**9. Trade Receivables**

	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade receivables	1,260,321	1,340,053
Less: provision for doubtful debts	(53,600)	(48,217)
	1,206,721	1,291,836

Generally, customers are 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. Purchases of certain villa are required to settle the outstanding balances within 12 months as specified in the sales and purchase agreements.

The ageing analysis of the trade receivables is as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Within 3 months	618,095	723,638
3 months to 1 year	384,392	368,504
1 to 2 years	139,606	128,887
2 to 3 years	62,402	65,956
Over 3 years	55,826	53,068
	1,260,321	1,340,053

10. Other Receivables

	30 June 2013 RMB'000	31 December 2012 RMB'000
Retention money and project deposits	988,570	944,466
Prepayments for the land use rights for properties development	334,874	405,203
Prepayments for others	35,076	61,661
Others	202,350	310,533
	1,560,870	1,721,863

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

11. Share Capital and Premium

	Number of Shares RMB'000	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2012, 31 December 2012 and 30 June 2013				
– Domestic shares	350,742	350,742	–	350,742
– H shares*	312,222	312,222	847,295	1,159,517
	662,964	662,964	847,295	1,510,259

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited.

As at 30 June 2013 and 31 December 2012, the registered, issued and fully paid capital of the Company was RMB662,964,000 divided into 662,964,000 shares of RMB1.00 per each, comprising 350,742,000 domestic shares and 312,222,000 H shares.

12. 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 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

Selected Notes to the Interim Financial Information (continued)**12. Reserves** (continued)

	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 2013					
Balance as at 1 January 2013	2,909	3,816	140,096	(11,079)	135,742
Transfer of reserves to income statement upon sale of revaluated properties	(905)	-	-	-	(905)
Transfer of reserves to income statement upon sale of available-for-sale financial assets	-	(240)	-	-	(240)
Revaluation of available-for-sale financial assets	-	(1,192)	-	-	(1,192)
Revaluation – tax	-	297	-	-	297
Transaction with non-controlling interests	-	-	-	(397)	(397)
Balance as at 30 June 2013	2,004	2,681	140,096	(11,476)	133,305

13. Trade Payables

The ageing analysis of the trade payables is as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Within 3 months	833,428	867,510
3 months to 1 year	597,699	490,092
1 to 2 years	334,318	297,755
2 to 3 years	130,952	85,545
Over 3 years	119,558	117,602
	2,015,955	1,858,504

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

14. Borrowings

	30 June 2013 RMB'000	31 December 2012 RMB'000
Non-current liabilities		
Long-term bank borrowings		
– Secured (<i>Note (a)</i>)	–	190,000
Current liabilities		
Short-term bank borrowings		
– Secured (<i>Note (a)</i>)	190,000	25,000
– Unsecured with guarantee (<i>Note (b)</i>)	225,000	225,000
– Guarantee by the companies within the Group	388,400	405,000
	803,400	655,000
	803,400	845,000

Movement in borrowings is analysed as follows:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Opening amount as at 1 January	845,000	1,609,900
Addition of borrowings	853,400	1,358,100
Repayments of borrowings	(895,000)	(1,564,900)
Closing amount as at 30 June	803,400	1,403,100

Notes:

- (a) As at 30 June 2013, the secured bank loans were secured by the respective land use rights and properties under development of the Group with a total net book value amounted to RMB530,024,000 (as at 31 December 2012: RMB566,720,000).
- (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 2013 was 5.76% (as at 31 December 2012: 5.85%).

Selected Notes to the Interim Financial Information (continued)**15. Receipts in Advance**

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

16. Other Income

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

17. Other Gains – Net

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Government compensation	2,651	4,430
Gains on disposals of property, plant and equipment	2,535	1,426
Gains on disposals of available-for-sale financial assets	3,026	–
Donation	(5,130)	–
Others	(2,805)	472
	277	6,328

18. Operating Profit

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Depreciation of property, plant and equipment	53,728	46,535
Amortisation of land use rights	5,994	6,242
Employee benefit expenses	2,027,195	1,791,383
Cost of construction contracts	5,062,540	4,496,208
Cost of properties sold	600,381	627,323
Cost of inventories sold	756,246	611,538
Operating leases of buildings	4,521	5,328

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

19. Finance Costs

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Interest on borrowings wholly repayable within five years	24,070	54,402
Less: interest capitalised in properties under development	(24,070)	(54,402)
	-	-

20. Income Tax Expense

During the period, the Group is subject to the same types of income taxes as those disclosed in 2012 Financial Statements.

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Current income tax		
– PRC Corporate Income Tax	119,106	134,302
– Land appreciation tax:		
– Provision for the period	2,254	84,783
– Overprovision in previous years	(24,400)	-
Deferred income tax, net	2,521	(1,398)
	99,481	217,687

Selected Notes to the Interim Financial Information (continued)**21. 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.

	Six months ended 30 June	
	2013	2012
Profit attributable to the owners of the Company (RMB'000)	320,154	405,322
Ordinary shares in issue during the period (thousands shares)	662,964	662,964
Basic earnings per share (RMB)	0.48	0.61

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

22. Dividends

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil). A final dividend of RMB0.21 per ordinary share for 2012, amounting to total dividend of RMB139,222,000, approved at the annual general meeting of the Company on 16 June 2013, was paid on 11 July 2013.

23. Financial Guarantee

	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	225,750	255,736

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 banks as securities.

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (continued)

24. Changes in Ownership Interests in Subsidiaries Without Change of Control**Acquisition of non-controlling interests in a subsidiary**

On 21 January 2013, the Group acquired the 25% of equity interests of Anhui Huateng Investment Co., Ltd. ("Anhui Huateng") for a consideration of RMB5,100,000 from the non-controlling interests. After the acquisition, Anhui Huateng became a wholly owned subsidiary of the Company. The carrying amount of the non-controlling interests in Anhui Huateng acquired on the date of acquisition was RMB4,703,000. The Group recognised a decrease in equity attributable to owners of the Group of RMB397,000. The effect of changes in the ownership interest of Anhui Huateng on the equity attributable to owners of the Company during the period is summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	4,703
Consideration paid to non-controlling interests	(5,100)
<hr/>	
Excess of consideration paid recognised within equity	(397)

Effects of Changes in Ownership Interests in Subsidiaries Without Change of Control on the Equity

	Six months ended 30 June 2013 RMB'000
Total comprehensive income for the period attributable to owners of the Company	320,154
Changes in equity attributable to owners of the Company arising from acquisition of additional interests in a subsidiary	(397)
<hr/>	
	319,757

25. Related-Party Transactions

During the period, the Group made additional advances to the joint venture in the amount of approximately RMB26,950,000. These advances are unsecured, bearing interest at 6.67% per annum in 2013 with no fixed terms of repayment (2012: 6.67%). The other owner of the joint venture also made proportional advances to the joint venture with the same interest rate.

Apart from the related party transaction disclosed above and in Note 14(b), the Group had no other significant related party transactions during the six months ended 30 June 2013.

DEFINITIONS

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

Anhui Baoye	Baoye Group 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, 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
HKFRS	Hong Kong Financial Reporting Standards
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 report only, excludes Hong Kong, Macau and Taiwan
Property development business	the activities of development of real estate conducted by the Group

DEFINITIONS (continued)

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	the six months ended 30 June 2013

CORPORATE INFORMATION

Directors

Executive Directors

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

Non-executive Director

Mr. Fung Ching, Simon

Independent Non-executive Directors

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

Supervisors

Supervisors

Mr. Kong Xiangquan *(Chairman)*
 Mr. Qian Yongjiang
 Mr. Yuan Ajin

Independent Supervisors

Mr. Li Yongsheng
 Mr. Zhang Xindao

Audit Committee

Mr. Chan Yin Ming, Dennis *(Chairman)*
 Mr. Fung Ching, Simon
 Mr. Wang Youqing

Remuneration Committee

Mr. Chan Yin Ming, Dennis *(Chairman)*
 Mr. Zhao Rulong
 Mr. Pang Baogen

Nomination Committee

Mr. Wang Youqing *(Chairman)*
 Mr. Zhao Rulong
 Mr. Gao Jiming

Company Secretary

Ms. Ngan Lin Chun, Esther FCIS, FCS

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 Central, Hong Kong

Statutory Auditor

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As to PRC law

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

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