



**BAOYE GROUP COMPANY LIMITED**

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

**Stock Code: 2355**

# INTERIM REPORT 2014

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# OUR MISSION

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

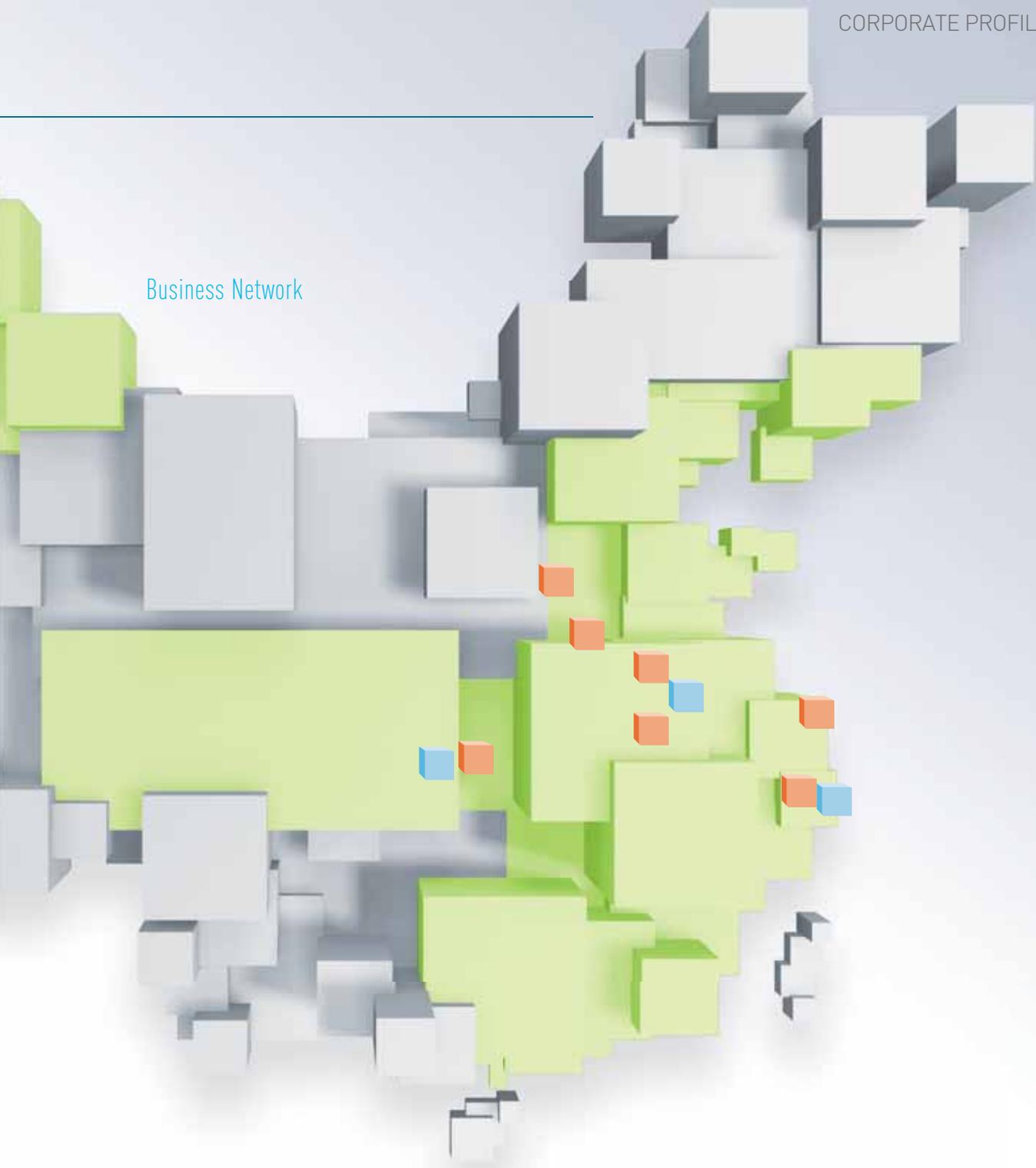


# CORPORATE PROFILE

## Business Structure



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 | Shanghai | Bozhou | Kaifeng | Bengbu

**Building Materials Business**

Shaoxing Building Materials Industrial Park | Hefei Building Materials Industrial Park  
Wuhan Building Materials Industrial Park

# 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. Wang resigned as an independent non-executive director on 25 August 2014)*  
 Mr. Zhao Rulong *(Mr. Zhao retired as an independent non-executive director on 14 June 2014)*  
 Ms. Jin Juxian *(Ms. Jin was appointed as an independent non-executive director on 14 June 2014 and resigned as an independent non-executive director on 2 July 2014)*  
 Mr. Li Wangrong *(Mr. Li was appointed as an independent non-executive director on 25 August 2014)*  
 Ms. Liang Jing *(Ms. Liang was appointed as an independent non-executive director on 25 August 2014)*

## Supervisors

### Supervisors

Mr. Kong Xiangquan *(Chairman)*  
 Mr. Qian Yongjiang *(Mr. Qian retired as a supervisor on 14 June 2014)*  
 Mr. Yuan Ajin *(Mr. Yuan retired as a supervisor on 14 June 2014)*  
 Mr. Xu Gang *(Mr. Xu was appointed as a supervisor on 14 June 2014)*  
 Mr. Wang Jianguo *(Mr. Wang was appointed as a supervisor on 14 June 2014)*

### Independent Supervisors

Mr. Li Yongsheng *(Mr. Li resigned as an independent supervisor on 25 August 2014)*  
 Mr. Zhang Xindao  
 Mr. Xiao Jianmu *(Mr. Xiao was appointed as an independent supervisor on 25 August 2014)*

## Audit Committee

Mr. Chan Yin Ming, Dennis *(Chairman)*  
 Mr. Fung Ching, Simon  
 Mr. Wang Youqing *(Mr. Wang ceased to be a member of the committee on 25 August 2014)*  
 Mr. Li Wangrong *(Mr. Li became a member of the committee on 25 August 2014)*

## Remuneration Committee

Mr. Chan Yin Ming, Dennis *(Chairman)*  
 Mr. Pang Baogen  
 Mr. Zhao Rulong *(Mr. Zhao ceased to be a member of the committee on 14 June 2014)*  
 Ms. Jin Juxian *(Ms. Jin became a member of the committee on 14 June 2014 and ceased to be a member of the committee on 2 July 2014)*  
 Ms. Liang Jing *(Ms. Liang became a member of the committee on 25 August 2014)*

## Nomination Committee

Mr. Wang Youqing *(Mr. Wang ceased to be a member of the committee on 25 August 2014)*  
 Mr. Zhao Rulong *(Mr. Zhao ceased to be a member of the committee on 14 June 2014)*  
 Mr. Li Wangrong *(Chairman)* *(Mr. Li became a member of the committee on 25 August 2014)*  
 Mr. Gao Jiming  
 Ms. Liang Jing *(Ms. Liang became a member of the committee on 25 August 2014)*

## 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 LLP  
 34/F, Tower A, Kingkey 100  
 5016 Shennan East Road  
 Luohu District  
 Shenzhen, the PRC  
 Post Code: 518001

## Legal Advisers

### As to Hong Kong law

King & Wood Mallesons  
 13/F, Gloucester Tower  
 The Landmark  
 15 Queen's Road Central  
 Central, Hong Kong

### As to PRC law

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

## H Share Registrar

Tricor Tengis Limited  
 Level 22, Hopewell Centre  
 183 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  
 Shanghai Pudong Development Bank  
 Company Limited

## Registered Address

Yangxunqiao Township  
 Keqiao District, Shaoxing City  
 Zhejiang Province, the PRC  
 Tel: 86 575 84882990  
 Post Code: 312028

## Headquarter Address

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

## Correspondence Address in Hong Kong

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

## Authorised Representatives

Mr. Pang Baogen  
 Mr. Gao Jiming

## Stock Code

HKEx (2355)

## Contact

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

## Website

www.baoyegroup.com

# FINANCIAL HIGHLIGHTS

|   | For the six months ended 30 June |                 |                 |                 |                 |
|---|----------------------------------|-----------------|-----------------|-----------------|-----------------|
|   | 2014<br>RMB'000                  | 2013<br>RMB'000 | 2012<br>RMB'000 | 2011<br>RMB'000 | 2010<br>RMB'000 |
| <b>Results</b>                                      |                                  |                 |                 |                 |                 |
| Revenue   | <b>9,340,369</b>                 | 8,986,100       | 8,252,261       | 7,405,059       | 5,622,448       |
| Profit Attributable to the<br>Owners of the Company | <b>331,639</b>                   | 320,154         | 405,322         | 437,797         | 250,309         |
| Earnings per Share (RMB)                            | <b>0.51</b>                      | 0.48            | 0.61            | 0.66            | 0.38            |
| <b>Assets and Liabilities</b>                       |                                  |                 |                 |                 |                 |
| Total Assets  | <b>16,643,085</b>                | 14,283,288      | 12,996,376      | 11,616,740      | 10,949,164      |
| Total Liabilities                                   | <b>10,864,895</b>                | 9,022,453       | 8,270,694       | 7,455,948       | 7,348,105       |
| Total Equity  | <b>5,778,190</b>                 | 5,260,835       | 4,725,682       | 4,160,792       | 3,601,059       |

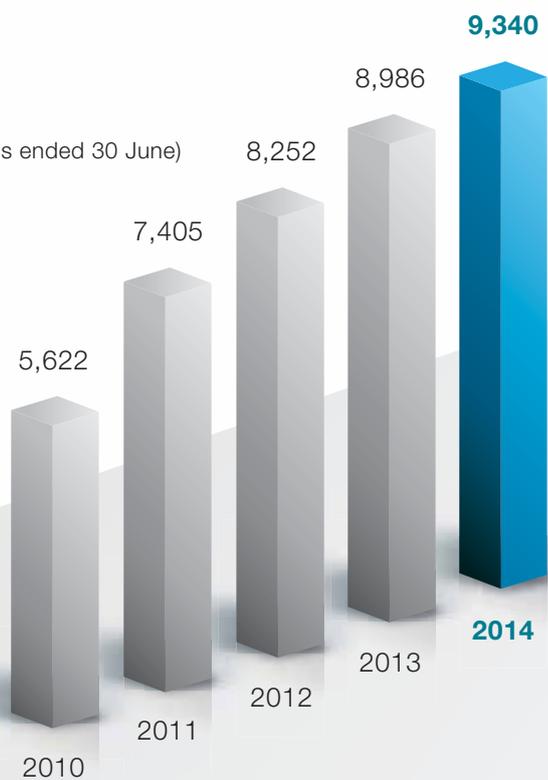
## Key Financial Ratios

|   | As at 30 June  |         |
|---|----------------|---------|
|   | 2014           | 2013    |
| Return on Equity                                | <b>5.9%</b>    | 6.2%    |
| Net Assets Value per Share (RMB)                | <b>8.95</b>    | 7.79    |
| Net Cash Ratio                                  | <b>22.3%</b>   | 24.7%   |
| Current Ratio                                   | <b>1.30</b>    | 1.36    |
| Cash Inflow from Operating Activities (RMB'000) | <b>120,979</b> | 350,482 |

### Revenue

(in RMB million)

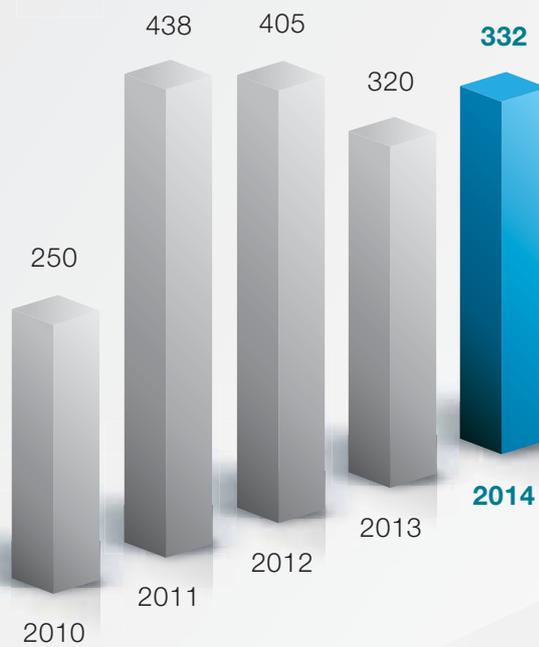
(For the six months ended 30 June)



### Profit Attributable to the Owners of the Company

(in RMB million)

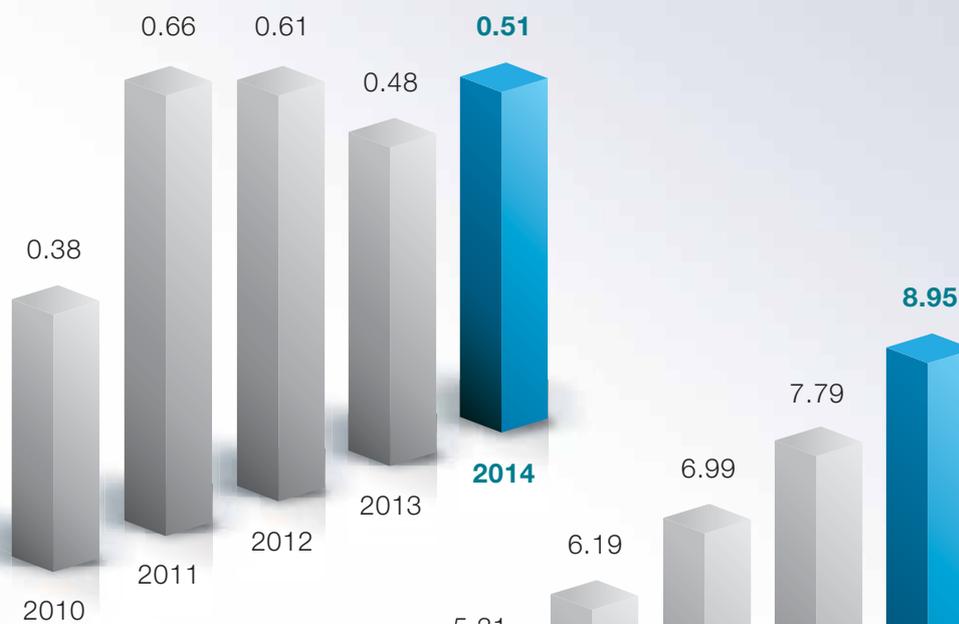
(For the six months ended 30 June)



### Earnings per Share

(in RMB)

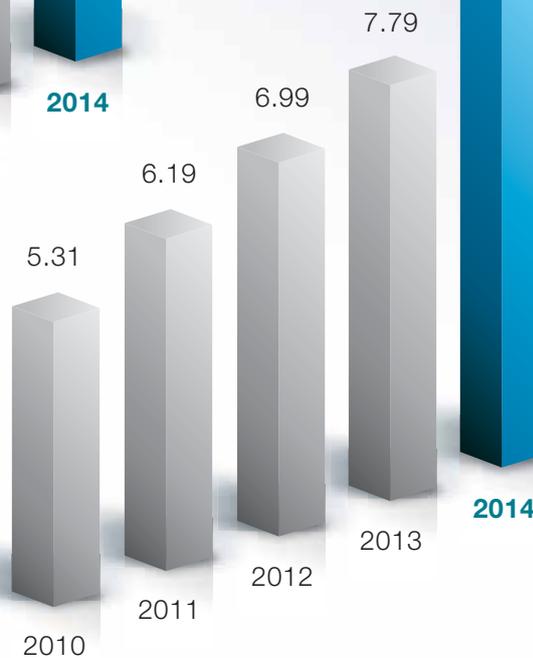
(For the six months ended 30 June)



### Net Assets Value per Share

(in RMB)

(As at 30 June)



# MANAGEMENT DISCUSSION AND ANALYSIS

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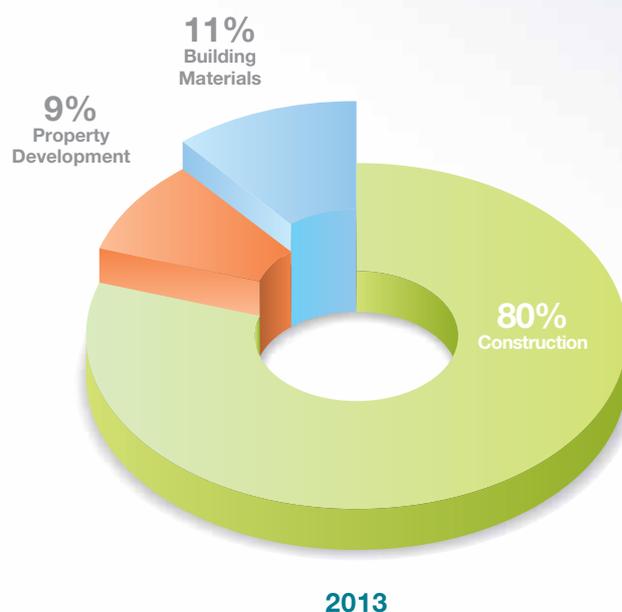
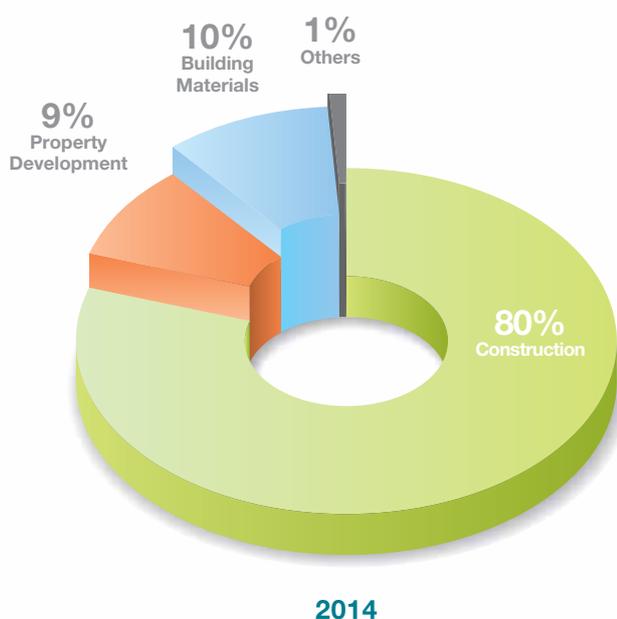


## Results Review

For the six months ended 30 June 2014, the Group achieved a consolidated revenue of approximately RMB9,340,369,000, representing an increase of approximately 4% from the corresponding period last year; operating profit amounted to approximately RMB426,144,000, which remains relatively stable as compared with the corresponding period last year; profit attributable to the owners of the Company amounted to approximately RMB331,639,000, representing an increase of approximately 4% compared to the same period last year; earnings per share was RMB0.51, representing an increase of approximately 6% compared to the same period last year.

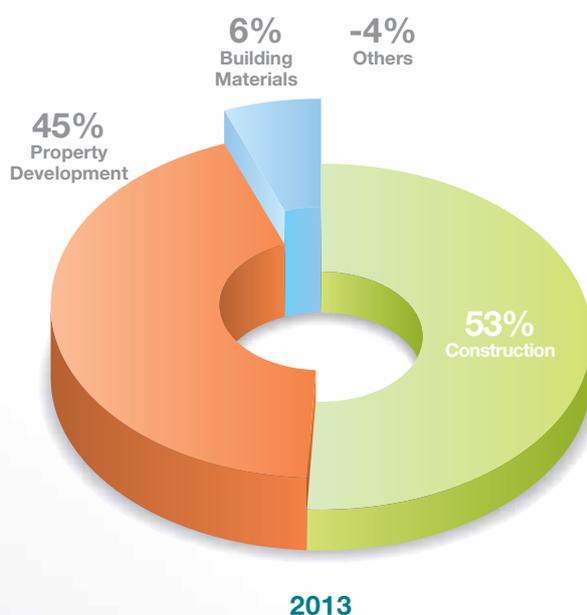
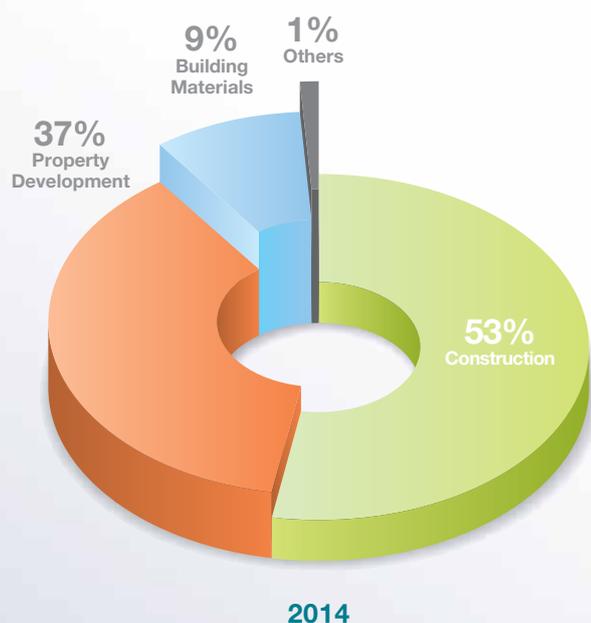
### Revenue

|                      | For the six months ended 30 June |             |           |            | Change |
|----------------------|----------------------------------|-------------|-----------|------------|--------|
|                      | 2014                             |             | 2013      |            |        |
|                      | RMB'000                          | % of total  | RMB'000   | % of total |        |
| Construction         | <b>7,507,739</b>                 | <b>80%</b>  | 7,184,307 | 80%        | 5%     |
| Property Development | <b>810,702</b>                   | <b>9%</b>   | 830,183   | 9%         | -2%    |
| Building Materials   | <b>961,796</b>                   | <b>10%</b>  | 937,451   | 11%        | 3%     |
| Others               | <b>60,132</b>                    | <b>1%</b>   | 34,159    | 0%         | 76%    |
| <b>Total</b>         | <b>9,340,369</b>                 | <b>100%</b> | 8,986,100 | 100%       | 4%     |



**Operating Profit**

|                      | For the six months ended 30 June |             |          |            | Change |
|----------------------|----------------------------------|-------------|----------|------------|--------|
|                      | 2014                             |             | 2013     |            |        |
|                      | RMB'000                          | % of total  | RMB'000  | % of total |        |
| Construction         | <b>226,034</b>                   | <b>53%</b>  | 225,740  | 53%        | 0%     |
| Property Development | <b>155,838</b>                   | <b>37%</b>  | 193,288  | 45%        | -19%   |
| Building Materials   | <b>38,674</b>                    | <b>9%</b>   | 23,087   | 6%         | 68%    |
| Others               | <b>5,598</b>                     | <b>1%</b>   | (15,882) | -4%        | 135%   |
| <b>Total</b>         | <b>426,144</b>                   | <b>100%</b> | 426,233  | 100%       | 0%     |



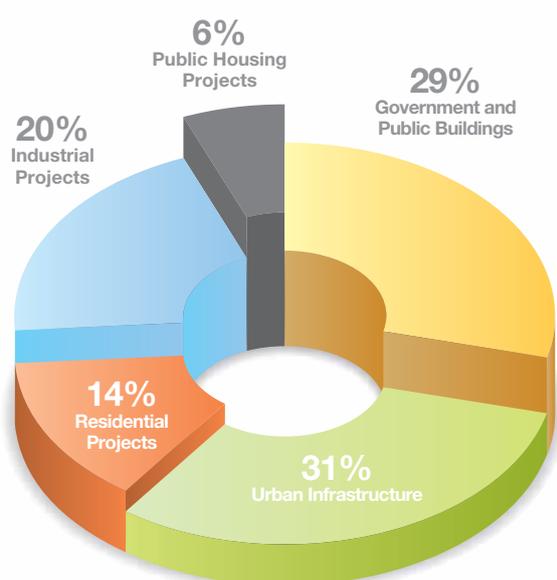
### Construction Business

For the six months ended 30 June 2014, the Group's construction business achieved a revenue of approximately RMB7,507,739,000, representing a growth of approximately 5% over the same period last year; operating profit amounted to approximately RMB226,034,000, which remains relatively stable as compared with the same period last year.

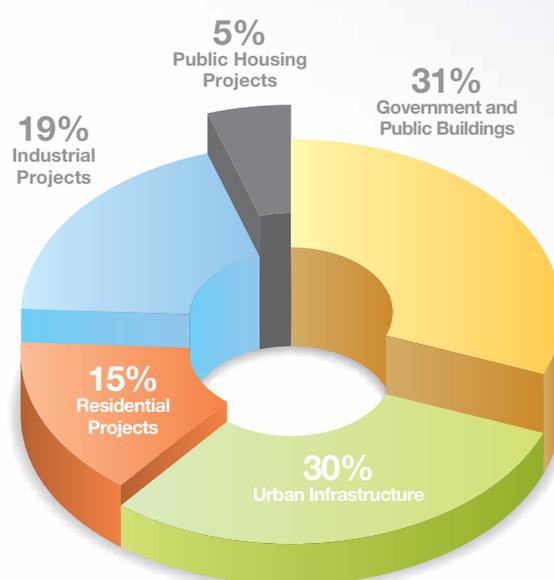
As at 30 June 2014, the Group's total contract value under construction-in-progress amounted to approximately RMB61,426,768,000, representing an increase of approximately 21% over the same period last year. The total contract value for the Group's construction-in-progress is analysed below:

#### By Project Nature:

|                                 | As at 30 June     |             |            |            | Change |
|---------------------------------|-------------------|-------------|------------|------------|--------|
|                                 | 2014              |             | 2013       |            |        |
|                                 | RMB'000           | % of total  | RMB'000    | % of total |        |
| Government and Public Buildings | <b>18,077,898</b> | <b>29%</b>  | 15,783,434 | 31%        | 15%    |
| Urban Infrastructure            | <b>18,821,162</b> | <b>31%</b>  | 15,275,929 | 30%        | 23%    |
| Residential Projects            | <b>8,513,750</b>  | <b>14%</b>  | 7,561,839  | 15%        | 13%    |
| Industrial Projects             | <b>12,131,786</b> | <b>20%</b>  | 9,540,531  | 19%        | 27%    |
| Public Housing Projects         | <b>3,882,172</b>  | <b>6%</b>   | 2,588,861  | 5%         | 50%    |
| <b>Total</b>                    | <b>61,426,768</b> | <b>100%</b> | 50,750,594 | 100%       | 21%    |



2014

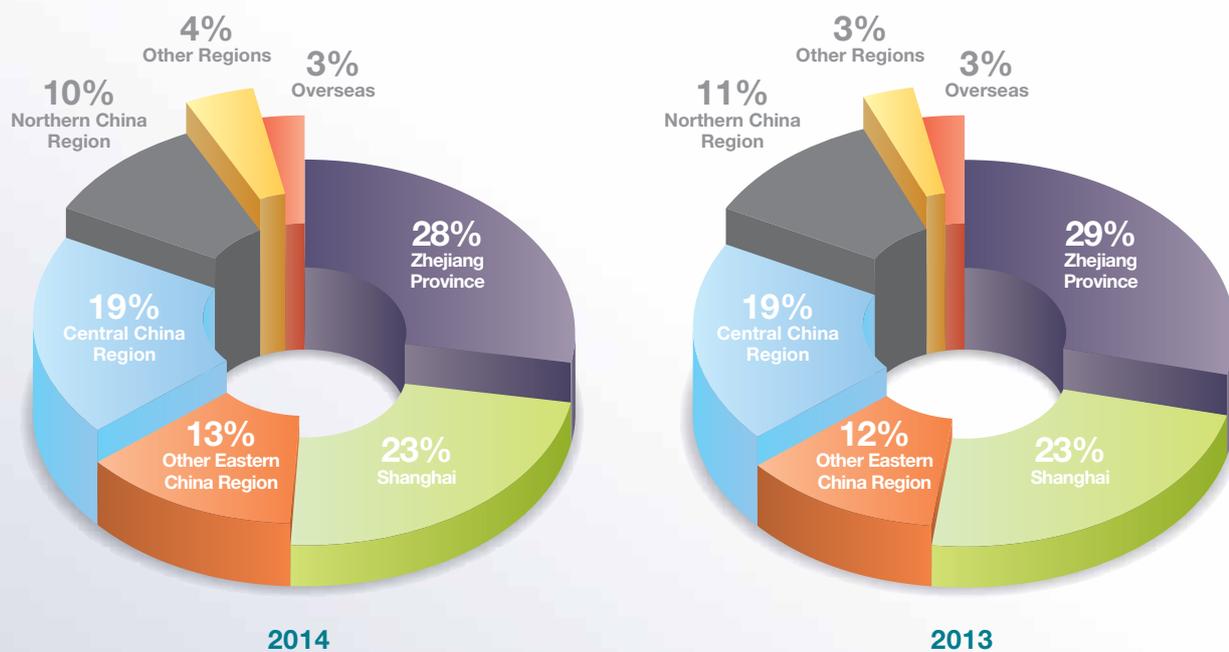


2013

**By Region:**

|                            | As at 30 June     |             |                   |             | Change     |
|----------------------------|-------------------|-------------|-------------------|-------------|------------|
|                            | 2014              |             | 2013              |             |            |
|                            | RMB'000           | % of total  | RMB'000           | % of total  |            |
| Zhejiang Province          | 17,420,631        | 28%         | 14,768,423        | 29%         | 18%        |
| Shanghai                   | 13,974,590        | 23%         | 11,672,637        | 23%         | 20%        |
| Other Eastern China Region | 7,991,623         | 13%         | 6,090,071         | 12%         | 31%        |
| Central China Region       | 11,892,222        | 19%         | 9,642,613         | 19%         | 23%        |
| Northern China Region      | 6,099,678         | 10%         | 5,582,565         | 11%         | 9%         |
| Other Regions              | 2,358,788         | 4%          | 1,522,518         | 3%          | 55%        |
| Overseas*                  | 1,689,236         | 3%          | 1,471,767         | 3%          | 15%        |
| <b>Total</b>               | <b>61,426,768</b> | <b>100%</b> | <b>50,750,594</b> | <b>100%</b> | <b>21%</b> |

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



During the period under review, the Group continuously deepens the execution of contract management and project risk management, and insists on the strategy of “high value customers co-operation” so as to realise the transformation of construction model and uphold the Company’s position in the industry. During the period under review, the Group’s construction business has secured new construction contracts amounted to approximately RMB12.9 billion (corresponding period of 2013: RMB8.2 billion) in value, representing an increase of approximately 57% compared to the same period last year. The Group has secured a large number of high-end projects, such as Ocean Science and Technology Innovation Park in Wenzhou Economic Technology Development Zone, the e-commerce supply chain management project in Baoshan District, Shanghai, BRC·Coco Times project in Wuhan, Zhijiang College of Zhejiang University of Technology, Hubin Fortune Plaza in Qixia City, Shandong Province, among which, the contract value of the Ocean Science and Technology Innovation Park project alone is up to over RMB900 million. It’s a great achievement since the Group started the execution of contract management and the “high value customers co-operation” strategy.

## Property Development Business

### Property Sales

For the six months ended 30 June 2014, the revenue of the Group’s property development business amounted to approximately RMB810,702,000 (revenue before deductions of sales tax and related levies was approximately RMB836,075,000), representing a decrease of approximately 2% from the same period last year. Operating profit amounted to approximately RMB155,838,000, representing a decrease of approximately 19% compared to the same period last year. The reduction in operating profit was mainly due to the lower margin of properties’ sales that were recognised compared to the same period last year.

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

| Project                    | Location  | Average                    |                            | Revenue<br>(RMB'000) |
|----------------------------|-----------|----------------------------|----------------------------|----------------------|
|                            |           | Selling Price<br>(RMB/Sqm) | Floor Areas Sold<br>(Sqms) |                      |
| Baoye Dongcheng Square     | Hefei     | 6,877                      | 34,902                     | 240,021              |
| City Green Garden Phase IV | Hefei     | 8,744                      | 17,035                     | 148,950              |
| Jiangwan Luyuan            | Hangzhou  | 5,591                      | 25,511                     | 142,633              |
| Baoye Mengdie Luyuan       | Mengcheng | 4,197                      | 32,983                     | 138,440              |
| Baoye Daban Fengqing*      | Shaoxing  | 6,872                      | 12,912                     | 88,732               |

\* Due to the more sales of parking areas during the period under review, the average selling price of Baoye Daban Fengqing has decreased compared to last year.

For the six months ended 30 June 2014, the Group’s property development business achieved a contract sales value of approximately RMB1.2 billion with a total contract sales area of approximately 111,000 square metres, accounting for approximately 50% of the total sales target for 2014.

### Projects under Development

As at 30 June 2014, 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%                         |
| Baoye Guanggu Lidu           | Wuhan    | 300,000                                   | 100%                         |
| Baoye Wanhucheng             | Shanghai | 245,000                                   | 100%                         |
| Shanghai Baoye Centre        | Shanghai | 27,000                                    | 100%                         |
| Baoye Mengdie Luyuan         | Bozhou   | 384,000                                   | 50%                          |
| Baoye Longhu Yucheng Phase I | Kaifeng  | 170,000                                   | 60%                          |
| Baoye Xuefu Luyuan           | Bengbu   | 199,700                                   | 63%                          |

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 the downtown of Shaoxing City, it is known as the “natural treasure in the heart of a city”. Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres with 0.5 time plot ratio and a planned gross floor area of approximately 525,000 square metres for the development of deluxe villas, semi-detached villas and town houses. It also consists of a golf club, a five-star resort hotel, two leisure parks, a sport park, a shopping arcade, kindergarten and a central lakeside garden fully equipped with supporting facilities. This project is developed in 12 phases, of which, Lotus Garden and Liu Garden had been delivered to owners, He Garden and Ming Garden have almost been sold out; Run Garden Phase I and Phase II, Xi Garden and Jing Garden are under pre-sale, and there are five other phases which are yet to be developed.



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 reasonably scaled residential units with well-developed facilities, convenient transportation with a rich cultural connotation. The project is developed in three phases, of which, phase I was almost sold out and will be delivered to owners in 2015.

Baoye Wanhuacheng, located in Huinan, Pudong New District, Shanghai, is positioned in the hub of the prime area of Pudong's golden triangle, 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, and was launched for pre-sale in December 2013 with satisfactory results.

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 27,000 square metres, of which, approximately 13,000 square metres above-ground and 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 delivered to owners in the first half of 2014, phase II and phase III were launched for pre-sale with satisfactory results.

Baoye Longhu Yucheng, is located in a prime area of Eastern New City, Kaifeng County, Henan Province. It has a total site area of approximately 900,000 square metres and an estimated gross floor area of approximately 1,200,000 square metres. After completion, it will become the city's new business centre and leisure centre. The project will be developed in 5 phases, of which, phase I with 170,000 square metres is under development.

Baoye Xuefu Luyuan, is located in Bengbu City, Anhui Province. It has a total site area of approximately 62,600 square metres and an estimated gross floor area of approximately 199,700 square metres of which approximately 20,000 square metres are affordable housing. The project comprises 15 buildings and has started construction in July 2014. It is expected to be delivered to owners in 2016.

#### **Completed Project**

Baoye Dongcheng Square is located in Changjiang East Road, Hefei City. The project has a site area of approximately 63,500 square metres with an estimated gross floor area of approximately 228,500 square metres. The commercial units had commenced commercial operation in October 2013. A total of 34,902 square metres of the residential units have been delivered to owners at the end of June 2014, and approximately 113,000 square metres of the residential units were not recognised as revenue due to the delivery was made in July 2014.

#### **Project to be Developed**

Baoye Xiaoyao Luyuan, is located in Mengcheng County, Bozhou City, Anhui Province and has a total site area of approximately 93,000 square metres. At present, this project is under development.

### Land Reserve

The Group had not procured any new land bank during the period under review. The Group continues to adopt a prudent but proactive role in land acquisition and business expansion. The Group has land reserve in cities of Shaoxing, Wuhan, Shanghai, Hefei, Bozhou, Kaifeng and Bengbu, which can ensure its profit and capability of risk resistance benefiting from low land cost and reasonable region distribution.

### Building Materials Business

For the six months ended 30 June 2014, the revenue of the Group's building materials business was approximately RMB961,796,000, representing an increase of approximately 3% over the same period last year; operating profit was approximately RMB38,674,000, representing an increase of approximately 68% over the same period last year. The satisfactory increase of operating profit was mainly attributable to the curtain wall and ready-mixed concrete businesses, in particular the increased margin in concrete industry compared to the past years, as well as the enhancement of the Group's housing industrialisation program.

The revenue breakdown of the Group's building materials for the six months ended 30 June 2014 is analysed below:

|                      | For the six months ended 30 June |             |         |             | Change |
|----------------------|----------------------------------|-------------|---------|-------------|--------|
|                      | 2014                             |             | 2013    |             |        |
|                      | RMB'000                          | % the total | RMB'000 | % the total |        |
| Curtain Wall         | <b>509,967</b>                   | <b>53%</b>  | 433,516 | 46%         | 18%    |
| Ready-mixed Concrete | <b>188,861</b>                   | <b>20%</b>  | 173,090 | 18%         | 9%     |
| Furnishings and      |                                  |             |         |             |        |
| Interior Decorations | <b>123,412</b>                   | <b>13%</b>  | 165,353 | 18%         | -25%   |
| Steel Structure      | <b>124,190</b>                   | <b>13%</b>  | 108,116 | 12%         | 15%    |
| Wooden Products and  |                                  |             |         |             |        |
| Fireproof Materials  | <b>12,842</b>                    | <b>1%</b>   | 47,083  | 5%          | -73%   |
| Others               | <b>2,524</b>                     | <b>0%</b>   | 10,293  | 1%          | -75%   |
| <b>Total</b>         | <b>961,796</b>                   | <b>100%</b> | 937,451 | 100%        | 3%     |

During the period under review, the curtain wall business has secured the projects such as Pinghu Chamber of Commerce Building, the Central Garden in Taizhou City, Zhonghai • Chengnan Project, and the steel structure business has secured the projects like Xinglinwan Operation Central in Xiamen City, the Victoria Plaza in Dalian City and Zhijiang College of Zhejiang University of Technology.

In respect of housing industrialisation, followed by the start-up of operation of two joint ventures, Baoye Daiwa Industrialised Manufacturing Company Limited in light steel structure and Baoye Sivert Precast Concrete Company Limited in precast concrete assembly structure, which products have been applied in use for Baoye Four Seasons Garden, Shaoxing one-hundred-year low-carbon housing project, Shanghai Baoye Centre, Baoye Wanghuacheng, Guanggu Lidu in Wuhan, Zhijiang College of Zhejiang University of Technology, Keqiao CBD project and Paojiang affordable housing project, and have been exported to Austria and Libya.

In respect of the research of housing industrialisation technology system, followed by the strategic cooperation with Shanghai Xiandai Architectural Design Group in 2013, the Group has cooperated with Tongji University and Shanghai Research Institute of Building Sciences during the period under review, to work together on speeding up the development of housing industrialisation, as well as serving for the technology advancement and keeping a sustainable development of construction industry by relying on brand effect, market resources and technology advantages.

### Business Prospect

Facing the difficulties and challenges that were brought by the China macro-economic development, the Company is optimistic about the economic development in the second half of 2014 as the country's policy effects of advocating and realising for stable economic growth, reform promotion, structural adjustment and people's livelihood improvement have emerged with fond results.

#### **Construction Business is the Platform for the Group's Business Development**

The Group has laid a solid foundation and well perceived market recognition and rich construction experience for over forty years. The construction business has maintained a stable and healthy growth in recent years. In the future, the Central and Western China will be set as the main regions to develop urbanisation which will bring tremendous market opportunity in the field of infrastructural construction when the Central government's urbanisation policies remains intact. Western China development and the establishment of new economic regions have successively been executed. In this vein, the Group's regional development strategy has started to bring benefit to the Group's performance when facing this changing market and large opportunity. The Group will explore the new potential markets in Central and Western China to seize opportunities and increase its market shares on the basis of strengthening its existing markets in Eastern China.

Reaping from the opportunity that government encourage private companies to participate in bidding for public infrastructural constructions in water supply, railway and transport, the Group will actively secure more public, landmark and high-end projects. Meanwhile, the Group will upgrade the traditional business model, promote and develop new contractors as project general contractor, agent construction contractor and BT(Build-Transfer), in building a solid foundation for implementation of the new construction contractor mode in future through learning process to ease out the ever changing needs and requirements in the market place process.

In the future, green construction will have a bright prospect and will bring in large commercial opportunity for construction companies not only as the symbol of the transformation of economic development, but also as the important milestone to upgrade traditional construction and adjust economic structure. The Group will actively implement the green projects policy as advocated by the Central government in preserving green construction to speed up its pace in advancement of technology and enrich development capability in the areas of quality and technology by innovating green construction technology and accumulating green construction experience.

#### **Property Development Business Contributes Substantial Profit to the Group**

In the first half year of 2014, the property market has generally slipped due to the tightened credit policy and weak market demand, it is anticipated that the Central government will adopt some favorable financial measures to stimulate the rigid demand and stabilise the housing market. In addition, the local governments' regulatory policies, like lighting the purchase restriction would also continue to improve the demand in the second half year. The Company has had confidence in the future development of the real estate market.

The Group will continue to uphold prudent property development business strategy. Facing the complicated macro-economic and political environment, the Group will develop products driven by market demand through integrating resources. With the new urbanisation construction, especially in the development of Mid-Western China regions, the Group will continue to position its market in second and third tier cities according to the market demand, political environment and economy development level. With high quality products and services, the Group has paved a good foundation for speedy development of its property business in the Mid-Western China regions.

Under the background of speedy development of new urbanisation construction, the Group has full confidence in technology property development. The Group will make full use of its technology in construction industrialisation to explore modern types of property and property development models driven by the market demand to realising the transformation and upgrading of the property development business of the Group.

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

As one of the leaders of national housing industrialisation construction, the Group has insisted on low carbon construction and devoted to the transformation and upgrading the traditional construction to the modern manufacturing industry and has possessed the specialized assembly construction industrialisation capability of standardized design, industrialised production, prefabricated construction and professional testing. Three industrialised housing technological systems of dense column supported steel structure for low-rise housing, steel structure for multi-layer housing and PC structure for high-rise housing, and various of industrialised building products have all been widely used in new-country construction and affordable housing and properties and have been exported to Sudan, Angola, Djibouti, India and Australia.

Governments at all levels have pronounced a series of policies to promote the housing industrialisation development, such as green housing requirements application in office buildings invested by governments and public buildings, and setting up national typical low-carbon communities. The Group will seize this opportunity by utilizing all of its all its advantages to improve its market share in industrialised housing field and achieve a great development.

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 47% (corresponding period of 2013: 24%) of the total borrowings. In addition, approximately 11% of the total borrowings (corresponding period of 2013: 28%) were jointly guaranteed by the chairman of the Board, Mr. Pang Baogen, and the Company to the lending banks. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

The Group's objectives in the management of capital and financial resources are to safeguard the Group's ability to operate as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resource to expand its business. As at 30 June 2014, the Group has unutilized banking facilities amounting to approximately RMB4 billion. Details of which are analysed below:

|  | As at 30 June    |           |
|--|------------------|-----------|
|  | 2014             | 2013      |
|  | RMB'000          | RMB'000   |
| Cash and cash equivalents                              | <b>1,989,795</b> | 1,899,062 |
| Restricted bank deposits                               | <b>263,040</b>   | 182,065   |
| Less: total borrowings                                 | <b>(994,953)</b> | (803,400) |
| Net cash   | <b>1,257,882</b> | 1,277,727 |
| Total equity attributable to the owners of the Company | <b>5,652,804</b> | 5,164,697 |
| Net cash ratio   | <b>22.3%</b>     | 24.7%     |

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

### Other Key Financial Ratios

|                                  | As at 30 June |      |
|----------------------------------|---------------|------|
|                                  | 2014          | 2013 |
| Return on equity                 | <b>5.9%</b>   | 6.2% |
| Net assets value per share (RMB) | <b>8.95</b>   | 7.79 |
| Current ratio                    | <b>1.31</b>   | 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, the profit attributable to the owners of the Company achieved approximately RMB331,639,000, representing an increase of approximately 4% compared to the same period last year. But the total equity attributable to the owners of the Company has attained a growth of approximately 9% compared to the same period last year, thus leading the slight decrease of return on equity and the increase of net assets value per share of approximately 14.9% as compared to the same period last year. During the period under review, the Group has continued to maintain a net cash position, of which the net cash ratio is approximately 22.3%, a slight decrease compared to the same period last year, which was mainly due to the increase of the total equity attributable to the owners of Company.

### Cash Flow Analysis

|  | Note  | For the six months ended 30 June |                 |
|--|-------|----------------------------------|-----------------|
|  |       | 2014<br>RMB'000                  | 2013<br>RMB'000 |
| Net cash inflow from operating activities            | (i)   | <b>120,981</b>                   | 350,482         |
| Net cash outflow from investing activities           | (ii)  | <b>(176,174)</b>                 | (27,734)        |
| Net cash outflow from financing activities           | (iii) | <b>(114,169)</b>                 | (36,237)        |
| Net (decrease)/increase in cash and cash equivalents |       | <b>(169,362)</b>                 | 286,511         |

#### Note:

- (i) During the period under review, the net cash inflow from operating activities was approximately RMB120,981,000, a decrease of approximately RMB229,501,000 compared to the same period last year, which was primarily due to the increased investment in properties under development. However, the receipt of the construction and building materials businesses still recorded an increase compared to the same period last year.
- (ii) During the period under review, the net cash outflow from investing activities was approximately RMB176,174,000, which was mainly used for purchasing property, plant, equipment and available-for-sale financial assets.
- (iii) During the period under review, the net cash outflow from financing activities was approximately RMB114,169,000, which was mainly used in repurchase of H Shares.

### Land Appreciation Tax

The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial Reporting and Accounting Standards in accounting for such tax provision, and has also prepaid the land appreciation taxes based on the sale values multiplied by certain assessed rates determined by the respective local tax authorities where the properties are located. For the six months ended 30 June 2014, the Group's land appreciation tax amounted to approximately RMB11,162,000.

### Administrative Expense

The Group's administrative expense amounted to approximately RMB195,172,000 for the six months ended 30 June 2014 as compared to approximately RMB184,929,000 for the same period last year, representing a moderate increase of 5.5%. Followed by the business expansion and increase of employees' salaries and benefits, administrative expense has increased correspondingly.

### Financial Cost

For the six months ended 30 June 2014, the Group had registered no financing costs, mainly due to the bank borrowings, which were applied for use in properties development and were entirely capitalised.

### Financial Guarantee

|  | 30 June<br>2014<br>RMB'000 | 31 December<br>2013<br>RMB'000 |
|--|----------------------------|--------------------------------|
| Guarantees given to banks in respect of mortgage facilities granted for certain purchasers | <b>209,865</b>             | 134,037                        |

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 2014, land use rights, property, plant and equipment, investment properties and properties under development at a total value of approximately RMB2,666,518,000 (as at 31 December 2013: RMB1,780,782,000) were pledged to banks as security in securing bank borrowings.

### Capital Expenditure Plan

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

### Adjustment of RMB Exchange Rate and Foreign Exchange Risks

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

### Dividends

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2014 (corresponding period of 2013: nil).

# CORPORATE GOVERNANCE

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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

As at the date of this report, the Company has complied with all the code provisions as set out in the CG Code, except for deviation of provisions 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.

Pursuant to Rules 3.10(1) and 3.10A of the Listing Rules, the board of directors of a listed issuer must include at least three independent non-executive directors and the independent non-executive directors of a listed issuer must represent at least one-third of the board of directors. On 2 July 2014, Ms. Jin Juxian resigned as an independent non-executive Director. Since then, the Board only has two independent non executive Directors, and the number of independent non-executive Directors deviated from the requirement under the Listing Rules since on 2 July 2014. On 25 August 2014, the Board appointed two new independent non-executive Directors and since then, the Board consists of five executive Directors, one non-executive Director and three independent non-executive Directors and the Board’s composition has satisfied the requirement under the Listing Rules since 25 August 2014. Please refer to the announcement of the Company dated 25 August 2014 for further details.

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.

As at the date of this report, 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. Li Wangrong and Ms. Liang Jing. During the period under review, Mr. Zhao Rulong retired as an independent non-executive Director on 14 June 2014 and Ms. Jin Juxian was appointed as an independent non-executive Director on 14 June 2014 and resigned this position on 2 July 2014; Mr. Wang Youqing resigned as an independent non-executive Director on 25 August 2014, Mr. Li Wangrong and Ms. Liang Jing were appointed as independent non-executive Directors on 25 August 2014. Each of Mr. Fung Ching, Simon, Mr. Chan Yin Ming, Dennis and Ms Liang Jing, has professional accounting qualifications and possesses a breath of experience in accounting and financial management and Mr. Li Wangrong has rich experience in law. The diverse composition of the Board brings the Directors different views, and also reflects a balance between effectiveness and independence.

### Independent Non-executive Directors

During the period under review, Mr. Zhao Rulong retired as an independent non-executive Director and Ms. Jin Juxian was appointed as an independent non-executive Director. Subsequently, Ms. Jin Juxian resigned as an independent non-executive Director on 2 July 2014; then Mr. Li Wangrong and Ms Liang Jing were appointed as independent non-executive Directors on 25 August 2014. At present, the Company's number of independent non-executive Directors complies with Rule of 3.10(1) of the Listing Rules. 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.

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

### Board Committees

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

### Audit Committee

As at the date of this report, the audit committee of the Company consists of two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Li Wangrong 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 three meetings, and 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 were also discussed. The interim results of the Group for the six months ended 30 June 2014 had been reviewed by the audit committee before being approved by the Board.

### Remuneration Committee

As at the date of this report, the remuneration committee comprises two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis, Ms. Liang Jing 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

As at the date of this report, the nomination committee comprises two independent non-executive Directors, namely, Mr. Li Wangrong, Ms. Liang Jing and one executive Director, namely, Mr. Gao Jiming, with Mr. Li Wangrong 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 14 June 2014.

### 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 2014. 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.

## Investors Relations

The Company pays great attention to maintain good relations with investors. During the period under review, the Company actively maintains good relations with investor and discloses accurate corporate information pertaining to development strategies, operating performance, financial conditions and business prospects effectively and timely, as well as holding various of investor relations events to improve the Company's transparency. 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 arranged the meeting communication between the management and investors, not only let the investors have a deep acknowledge of the Company's business development, but also can reply their suggestions and expectation to the Board and the management.

## Substantial Shareholders of H Shares

As at 30 June 2014, so far as was known to the Directors, the following persons, other than Directors, Supervisors and senior management of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under the Section 336 of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (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 |
|---------------------------|--|--|---|
| Zhu Yicai                 | 28,432,000   | 10.12%   | 4.50%   |
| JP Morgan Chase & Co.     | 21,856,000   | 7.78%  | 3.46%   |
| Norges Bank               | 20,936,000   | 7.45%  | 3.31%   |
| Top Easy Holdings Limited | 16,086,000   | 5.72%  | 2.55%   |

## OTHER INFORMATION

### Interests of Directors, Supervisors, Chief Executive and Senior Management

As at 30 June 2014, 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/<br>Senior Management | Relevant Entity  | Capacity   | Number of<br>Domestic<br>Shares<br>(Long Position) | Number of<br>H Shares<br>(Long Position) | Approximate<br>Percentage<br>of the Total<br>Registered<br>Capital of the<br>Relevant Entity |
|---|--|------------|--|--|--|
| <b>Directors</b>                            |  |            |  |  |  |
| Mr. Pang Baogen                             | The Company  | Individual | 198,753,054  | 6,612,000                                | 32.51%   |
| Mr. Pang Baogen                             | Zhejiang Baoye Curtain<br>Wall Decoration<br>Company Limited | Individual | 361,244  | –  | 0.71%  |
| Mr. Gao Jiming                              | The Company  | Individual | 13,024,647   | –  | 2.06%  |
| Mr. Gao Jiming                              | Zhejiang Baoye Curtain<br>Wall Decoration<br>Company Limited | Individual | 180,622  | –  | 0.36%  |
| Mr. Gao Lin                                 | The Company  | Individual | 9,544,775  | –  | 1.51%  |
| Mr. Gao Lin                                 | Zhejiang Baoye Curtain<br>Wall Decoration<br>Company Limited | Individual | 120,415  | –  | 0.24%  |
| Mr. Gao Jun                                 | The Company  | Individual | 5,794,259  | –  | 0.92%  |
| Mr. Jin Jixiang                             | The Company  | Individual | 2,440,527  | –  | 0.39%  |
| <b>Supervisors</b>                          |  |            |  |  |  |
| Mr. Wang Jianguo                            | The Company  | Individual | 5,250,290  | –  | 0.83%  |
| Mr. Wang Jianguo                            | Zhejiang Baoye Curtain<br>Wall Decoration<br>Company Limited | Individual | 2,424,288  | –  | 4.77%  |
| <b>Senior Management</b>                    |  |            |  |  |  |
| Mr. Sun Guofan                              | The Company  | Individual | 11,705,283   | –  | 1.85%  |
| Mr. Wang Rongfu                             | The Company  | Individual | 7,147,039  | –  | 1.13%  |
| Mr. Wang Rongfu                             | Zhejiang Baoye Curtain<br>Wall Decoration<br>Company Limited | Individual | 120,415  | –  | 0.24%  |
| Mr. Lou Zhonghua                            | The Company  | Individual | 5,633,172  | –  | 0.89%  |
| Mr. Lou Zhonghua                            | Zhejiang Baoye Curtain<br>Wall Decoration<br>Company Limited | Individual | 120,415  | –  | 0.24%  |
| Mr. Wang Rongbiao                           | The Company  | Individual | 2,647,911  | –  | 0.42%  |

### 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

Mr. Zhao Rulong retired as an independent non-executive Director on 14 June 2014, Ms. Jin Juxian was appointed as an independent non-executive Director on 14 June 2014 and resigned on 2 July 2014; Mr. Wang Youqing resigned as an independent non-executive Director on 25 August 2014, then Mr. Li Wangrong and Ms. Liang Jing were appointed as independent non-executive Directors on 25 August 2014. Furthermore, Mr. Qiang Yongjiang and Mr. Yuan Ajin retired as Supervisors; Mr. Xu Gang and Mr. Wang Jianguo were appointed as Supervisors; Mr. Li Yongsheng resigned as independent Supervisor on 25 August 2014, Mr. Xiao Jianmu was appointed as independent Supervisor on 25 August 2014.

### Human Resources

As at 30 June 2014, the Group had a total of approximately 3,671 permanent employees (as at 30 June 2013: 3,593). Also, there were approximately 79,412 indirectly employed construction site workers (as at 30 June 2013: 78,715). These workers were not directly employed by the Group. For the six months ended 30 June 2014, the total employee benefit expenses amounted to approximately RMB2,174,565,000 (the same period in 2013: RMB2,027,195,000). Employee benefit expenses include salaries, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and 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

During the period from 25 April 2014 to 21 May 2014, the Company had repurchased H Shares for 14 times, and had repurchased 31,220,000 H Shares in total, representing approximately 10% and 4.71% of the total number of H Shares and total number of issued Shares of the Company respectively. The total amount paid was HK\$151,070,240 (excluding trading fee), details of which was set out in the announcement in relation to the completion of repurchase of H shares on 22 May 2014 as published on the website of the Stock Exchange.

### 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 had no bank deposits which can't be withdrawn upon maturity.

### Appreciation

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

By Order of the Board

**Baoye Group Company Limited**

**Pang Baogen**

*Chairman*

Zhejiang, the PRC

25 August 2014

# REPORT ON REVIEW OF INTERIM 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 31 to 53, which comprises the interim consolidated balance sheet of Baoye Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related interim consolidated statements of income, comprehensive income, changes in equity and 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 interim 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, 25 August 2014

# INTERIM CONSOLIDATED FINANCIAL INFORMATION

## Interim Consolidated Balance Sheet

|   | Note | Unaudited<br>30 June<br>2014<br>RMB'000 | Audited<br>31 December<br>2013<br>RMB'000 |
|---|------|---|---|
| <b>ASSETS</b>   |      |   |   |
| <b>Non-current assets</b>                               |      |   |   |
| Land use rights   | 7    | 550,056                                 | 556,586                                   |
| Property, plant and equipment                           | 7    | 1,248,546                               | 1,185,751                                 |
| Investment properties                                   | 7    | 560,013                                 | 560,013                                   |
| Goodwill  | 7    | 16,534                                  | 16,534                                    |
| Investment in joint ventures                            |      | 49,430                                  | 49,693                                    |
| Loan to a joint venture                                 | 24   | 192,228                                 | 205,688                                   |
| Investment in associates                                |      | 22,702                                  | 23,083                                    |
| Available-for-sale financial assets                     |      | 10,656                                  | 10,603                                    |
| Deferred income tax assets                              |      | 63,481                                  | 63,575                                    |
|   |      | <b>2,713,646</b>                        | 2,671,526                                 |
| <b>Current assets</b>                                   |      |   |   |
| Inventories   |      | 165,647                                 | 170,085                                   |
| Properties under development                            |      | 3,453,720                               | 3,780,913                                 |
| Completed properties held for sale                      |      | 1,890,183                               | 1,179,160                                 |
| Due from customers on construction contracts            | 8    | 2,547,097                               | 2,338,278                                 |
| Trade receivables                                       | 9    | 1,190,084                               | 1,289,959                                 |
| Other receivables                                       | 10   | 2,289,448                               | 2,062,209                                 |
| Loan to associates                                      | 24   | 37,735                                  | 37,048                                    |
| Available-for-sale financial assets                     |      | 102,690                                 | –   |
| Restricted bank deposits                                |      | 263,040                                 | 270,015                                   |
| Cash and cash equivalents                               |      | 1,989,795                               | 2,159,157                                 |
|   |      | <b>13,929,439</b>                       | 13,286,824                                |
| <b>Total assets</b>                                     |      | <b>16,643,085</b>                       | 15,958,350                                |
| <b>EQUITY</b>   |      |   |   |
| <b>Equity attributable to the owners of the Company</b> |      |   |   |
| Share capital   | 11   | 631,744                                 | 662,964                                   |
| Share premium   | 11   | 756,533                                 | 847,295                                   |
| Reserves  | 12   | 138,711                                 | 139,534                                   |
| Retained profits  |      |   |   |
| – Proposed dividends                                    |      | –                                       | 66,296                                    |
| – Others  |      | 4,125,816                               | 3,791,055                                 |
|   |      | <b>5,652,804</b>                        | 5,507,144                                 |
| <b>Non-controlling interests</b>                        |      | <b>125,386</b>                          | 103,010                                   |
| <b>Total equity</b>                                     |      | <b>5,778,190</b>                        | 5,610,154                                 |

## Interim Consolidated Balance Sheet (continued)

|  | <i>Note</i> | <b>Unaudited<br/>30 June<br/>2014<br/>RMB'000</b> | Audited<br>31 December<br>2013<br>RMB'000 |
|--|-------------|---|---|
| <b>LIABILITIES</b>                           |             |   |   |
| <b>Non-current liabilities</b>               |             |   |   |
| Borrowings                                   | 14          | <b>194,000</b>                                    | 242,509                                   |
| Deferred income tax liabilities              |             | <b>61,469</b>                                     | 58,929                                    |
|  |             | <b>255,469</b>                                    | 301,438                                   |
| <b>Current liabilities</b>                   |             |   |   |
| Trade payables                               | 13          | <b>2,138,712</b>                                  | 2,158,446                                 |
| Other payables                               |             | <b>2,095,768</b>                                  | 1,966,302                                 |
| Receipts in advance                          | 15          | <b>3,162,410</b>                                  | 2,612,992                                 |
| Current income tax liabilities               |             | <b>475,973</b>                                    | 651,885                                   |
| Due to customers on construction contracts   | 8           | <b>1,872,436</b>                                  | 1,899,254                                 |
| Dividends payable                            |             | <b>63,174</b>                                     | –   |
| Borrowings                                   | 14          | <b>800,953</b>                                    | 757,879                                   |
|  |             | <b>10,609,426</b>                                 | 10,046,758                                |
| <b>Total liabilities</b>                     |             | <b>10,864,895</b>                                 | 10,348,196                                |
| <b>Total equity and liabilities</b>          |             | <b>16,643,085</b>                                 | 15,958,350                                |
| <b>Net current assets</b>                    |             | <b>3,320,013</b>                                  | 3,240,066                                 |
| <b>Total assets less current liabilities</b> |             | <b>6,033,659</b>                                  | 5,911,592                                 |

Approved by the Board of Directors on 25 August 2014 and were signed on its behalf.

**Pang Baogen**  
Director

**Gao Jiming**  
Director

The notes on pages 38 to 53 form an integral part of this condensed interim consolidated financial information.

## Interim Consolidated Income Statement

|  | Note | Unaudited<br>Six months ended 30 June |                 |
|--|------|---------------------------------------|-----------------|
|  |      | 2014<br>RMB'000                       | 2013<br>RMB'000 |
| Revenue  | 6    | 9,340,369                             | 8,986,100       |
| Cost of sales  |      | (8,744,217)                           | (8,388,741)     |
| <b>Gross profit</b>  |      | <b>596,152</b>                        | 597,359         |
| Other income   | 16   | 47,455                                | 33,157          |
| Other gains – net  | 17   | 1,690                                 | 277             |
| Selling and marketing costs  |      | (23,981)                              | (19,631)        |
| Administrative expenses  |      | (195,172)                             | (184,929)       |
| <b>Operating profit</b>  | 18   | <b>426,144</b>                        | 426,233         |
| Finance costs  | 19   | –                                     | –               |
| Share of loss of joint ventures  |      | (16,004)                              | (1,722)         |
| Share of loss of associates  |      | (1,381)                               | (1,613)         |
| <b>Profit before income tax</b>  |      | <b>408,759</b>                        | 422,898         |
| Income tax expense   | 20   | (68,015)                              | (99,481)        |
| <b>Profit for the period</b>   |      | <b>340,744</b>                        | 323,417         |
| <b>Profit attributable to:</b>   |      |                                       |                 |
| – Owners of the Company  |      | 331,639                               | 320,154         |
| – Non-controlling interests  |      | 9,105                                 | 3,263           |
|  |      | <b>340,744</b>                        | 323,417         |
| <b>Earnings per share for profit attributable to the owners of the Company</b> |      |                                       |                 |
| – Basic and diluted (expressed in RMB per share)                               | 21   | 0.51                                  | 0.48            |
| <b>Dividends</b>   | 22   | –                                     | –               |

The notes on pages 38 to 53 form an integral part of this condensed interim consolidated financial information.

## Interim Consolidated Statement of Comprehensive Income

|   | Unaudited                |         |
|---|--------------------------|---------|
|   | Six months ended 30 June |         |
|   | 2014                     | 2013    |
|   | RMB'000                  | RMB'000 |
| <b>Profit for the period</b>  | <b>340,744</b>           | 323,417 |
| <b>Other comprehensive income:</b>  |                          |         |
| <i>Items that may be reclassified to profit or loss</i>   |                          |         |
| Transfer of reserves to income statement upon sale of revaluated properties, net of tax               | (983)                    | (905)   |
| 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                               | 183                      | (895)   |
| <b>Other comprehensive income for the period, net of tax</b>  | <b>(800)</b>             | (2,040) |
| <b>Total comprehensive income for the period</b>  | <b>339,944</b>           | 321,377 |
| <b>Total comprehensive income attributable to:</b>  |                          |         |
| – Owners of the Company   | <b>330,816</b>           | 318,114 |
| – Non-controlling interests   | <b>9,128</b>             | 3,263   |
|   | <b>339,944</b>           | 321,377 |

The notes on pages 38 to 53 form an integral part of this condensed interim consolidated financial information.

## Interim Consolidated Statement of Changes in Equity

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

The notes on pages 38 to 53 form an integral part of this condensed interim consolidated financial information.

## Interim Consolidated Statement of Changes in Equity (continued)

|   | 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        | RMB'000                   |              |
| <b>Balance at 1 January 2014</b>  | <b>662,964</b>                            | <b>847,295</b>  | <b>139,534</b> | <b>3,857,351</b> | <b>5,507,144</b> | <b>103,010</b> | <b>5,610,154</b>          |              |
| <b>Comprehensive income:</b>  |   |                 |                |                  |                  |                |                           |              |
| Profit for the period   | -   | -               | -              | 331,639          | 331,639          | 9,105          | 340,744                   |              |
| <b>Other comprehensive income</b>   |   |                 |                |                  |                  |                |                           |              |
| Transfer of reserves to income statement upon sale of revaluated properties, net of tax | -   | -               | (983)          | -                | (983)            | -              | (983)                     |              |
| Change in fair value of available-for-sale financial assets, net of tax                 | -   | -               | 160            | -                | 160              | 23             | 183                       |              |
| <b>Total comprehensive income for the period</b>  | <b>-</b>                                  | <b>-</b>        | <b>(823)</b>   | <b>331,639</b>   | <b>330,816</b>   | <b>9,128</b>   | <b>339,944</b>            |              |
| <b>Transactions with owners:</b>  |   |                 |                |                  |                  |                |                           |              |
| Repurchase of shares  | (31,220)                                  | (90,762)        | -              | -                | (121,982)        | -              | (121,982)                 |              |
| Capital contributions made by non-controlling interests                                 | -   | -               | -              | -                | -                | 14,004         | 14,004                    |              |
| Dividends   | -   | -               | -              | (63,174)         | (63,174)         | (756)          | (63,930)                  |              |
| <b>Total transactions with owners</b>   | <b>(31,220)</b>                           | <b>(90,762)</b> | <b>-</b>       | <b>(63,174)</b>  | <b>(185,156)</b> | <b>13,248</b>  | <b>(171,908)</b>          |              |
| <b>Balance at 30 June 2014</b>  | <b>631,744</b>                            | <b>756,533</b>  | <b>138,711</b> | <b>4,125,816</b> | <b>5,652,804</b> | <b>125,386</b> | <b>5,778,190</b>          |              |

The notes on pages 38 to 53 form an integral part of this condensed interim consolidated financial information.

## Interim Consolidated Statement of Cash Flows

|   | Note | Unaudited<br>Six months ended 30 June |                  |
|---|------|---------------------------------------|------------------|
|   |      | 2014<br>RMB'000                       | 2013<br>RMB'000  |
| <b>Cash flows from operating activities</b>                 |      |                                       |                  |
| Cash generated from operations                              |      | 392,246                               | 587,119          |
| Interest paid   |      | (29,912)                              | (24,070)         |
| Income tax paid   |      | (241,353)                             | (212,567)        |
| <b>Net cash generated from operating activities</b>         |      | <b>120,981</b>                        | <b>350,482</b>   |
| <b>Cash flows from investing activities</b>                 |      |                                       |                  |
| Capital contribution made to an associate                   |      | (1,400)                               | –                |
| Net proceed from disposal of a subsidiary                   |      | 4,027                                 | –                |
| Repayment of the loans by a joint venture                   |      | –                                     | (26,950)         |
| Purchase of property, plant and equipment                   |      | (130,429)                             | (101,040)        |
| Purchase of available-for-sale financial assets             |      | (102,500)                             | –                |
| Proceed from sales of available-for-sale financial assets   |      | –                                     | 56,080           |
| Proceeds from sale of property, plant and equipment         |      | 6,960                                 | 11,102           |
| Dividends received from an associate                        |      | 400                                   | 600              |
| Interest received   |      | 46,768                                | 32,474           |
| <b>Net cash used in investing activities</b>                |      | <b>(176,174)</b>                      | <b>(27,734)</b>  |
| <b>Cash flows from financing activities</b>                 |      |                                       |                  |
| Proceeds from borrowings                                    |      | 717,000                               | 853,400          |
| Repayments of borrowings                                    |      | (722,435)                             | (895,000)        |
| Capital contributions made by non-controlling interests     |      | 14,004                                | –                |
| Repurchase of shares  | 11   | (121,982)                             | –                |
| Loan from non-controlling interests                         |      | –                                     | 16,500           |
| Acquisition of non-control interest                         |      | –                                     | (5,100)          |
| Dividends paid to non-controlling interests                 |      | (756)                                 | (6,037)          |
| <b>Net cash generated used in financing activities</b>      |      | <b>(114,169)</b>                      | <b>(36,237)</b>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |      | <b>(169,362)</b>                      | <b>286,511</b>   |
| Cash and cash equivalents at beginning of the year          |      | 2,159,157                             | 1,612,551        |
| <b>Cash and cash equivalents at end of the year</b>         |      | <b>1,989,795</b>                      | <b>1,899,062</b> |

The notes on pages 38 to 53 form an integral part of this condensed interim consolidated financial information.

## Selected Notes to the Condensed 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 (“H Share”) 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, Keqiao District Shaoxing City, 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 2014 (“Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated. This Interim Financial Information has been approved by the Board of Directors on 25 August 2014.

This Interim Financial Information has been reviewed, not audited.

#### Key events

During the six months ended 30 June 2014, the Company repurchased 31,220,000 H Shares in total, representing approximately 10% and 4.71% of the total number of H Shares and total number of issued shares of the Company, respectively. The total amount paid was HK\$151,070,240. Pursuant to the provisions of the articles of association of the Company, the 31,220,000 H Shares repurchased by the Company have been cancelled and the registered capital of the Company have been reduced by RMB31,220,000. After cancellation of these repurchased H Shares, the total number of issued shares of the Company is 631,744,005 and the registered capital of the Company is RMB631,744,005. Further details are given in Note 11.

### 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 2013 (“2013 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

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Standards, amendments, and interpretations to existing standards effective for the financial year beginning on 1 January 2014 and relevant to the Group did not have any material impact on the Group.

For the new standards and amendments to standards that have been issued but are not effective for the financial year after 1 January 2014, the management is in the process of making an assessment of their impact. Management is not yet in a position to state what impact they would have, if any, on the Group's results of operations and financial positions.

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

### 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 2013 Financial Statements.

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## Selected Notes to the Condensed Interim Financial Information (continued)

### 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 2013 Financial Statements.

There were no changes in any risk management policies during the six months ended 30 June 2014.

#### 5.2 Foreign currency risk, interest rate risk and liquidity risk

Compared to 31 December 2013, 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 2014. For the interest rate of the bank borrowings as at 30 June 2014, there was no material change compared to that at the end of 2013.

In addition, compared to 31 December 2013, there was no material change in the contractual undiscounted cash out flows for financial liabilities as at 30 June 2014.

#### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## 5 Financial risk management (continued)

### 5.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 30 June 2014 and 31 December 2013.

|                                     | As at 30 June 2014 |                    |                    | Total<br>RMB'000 |
|-------------------------------------|--------------------|--------------------|--------------------|------------------|
|                                     | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 |                  |
| Available-for-sale financial assets |                    |                    |                    |                  |
| – Equity securities (Note b)        | 5,316              | –                  | 5,340              | 10,656           |
| – Bank financial products(Note a)   | –                  | 102,690            | –                  | 102,690          |
|                                     | <b>5,316</b>       | <b>102,690</b>     | <b>5,340</b>       | <b>113,346</b>   |

|                                     | As at 31 December 2013 |                    |                    | Total<br>RMB'000 |
|-------------------------------------|------------------------|--------------------|--------------------|------------------|
|                                     | Level 1<br>RMB'000     | Level 2<br>RMB'000 | Level 3<br>RMB'000 |                  |
| Available-for-sale financial assets |                        |                    |                    |                  |
| – Equity securities(Note b)         | 5,263                  | –                  | 5,340              | 10,603           |

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

There were no other changes in valuation techniques during the period.

- (a) Level 2 available-for-sale financial assets comprise bank financial products which were purchased by the Group during the six months ended 30 June 2014 and will be mature by the end of 2014. Bank financial products are fair valued by bank using company debt value extracted from observable yield curves.

The following table presents the changes in level 2 instruments for the six months ended 30 June 2014.

|  | Bank financial<br>products<br>RMB'000 |
|--|---------------------------------------|
| Opening balance  | –                                     |
| Addition   | 102,500                               |
| Fair value gain recognised in other comprehensive income | 190                                   |
| Closing balance  | 102,690                               |

## Selected Notes to the Condensed Interim Financial Information (continued)

## 5 Financial risk management (continued)

## 5.3 Fair value estimation (continued)

(b) The following table presents the changes in level 3 instruments for the year ended 30 June 2014.

|                             | Equity securities<br>RMB'000 |
|-----------------------------|------------------------------|
| Opening and Closing balance | 5,340                        |

The following table presents the changes in level 3 instruments for the year ended 30 June 2013.

|  | Equity securities<br>RMB'000 | Short-term investments<br>RMB'000 | Total<br>RMB'000 |
|--|------------------------------|-----------------------------------|------------------|
| Opening balance  | 5,340                        | 56,320                            | 61,660           |
| Disposal   | –                            | (59,026)                          | (59,026)         |
| Fair value gain recognised in other comprehensive income | –                            | 2,706                             | 2,706            |
| Closing balance  | 5,340                        | –                                 | 5,340            |

## 5.4 Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purpose, including Level 3 fair values. The financial department reports directly to the directors. Discussions of valuation results are held between the directors and the financial department at least once every six months, in line with the Group's interim and annual reporting dates.

## 5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of financial assets and liabilities measured at amortised cost approximate their carrying amount.

## 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 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 2014 compared to 2013.

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 2014 is as follows:

|  | Six months ended 30 June 2014 |                                    |                                  |                   |                  |
|--|-------------------------------|------------------------------------|----------------------------------|-------------------|------------------|
|  | Construction<br>RMB'000       | Property<br>development<br>RMB'000 | Building<br>materials<br>RMB'000 | Others<br>RMB'000 | Group<br>RMB'000 |
| Total revenue                            | 7,959,504                     | 810,702                            | 1,139,855                        | 59,837            | 9,969,898        |
| Inter-segment revenue                    | (451,765)                     | –                                  | (178,059)                        | 295               | (629,529)        |
| <b>Revenue (from external customers)</b> | <b>7,507,739</b>              | <b>810,702</b>                     | <b>961,796</b>                   | <b>60,132</b>     | <b>9,340,369</b> |
| <b>Operating profit</b>                  | <b>226,034</b>                | <b>155,838</b>                     | <b>38,674</b>                    | <b>5,598</b>      | <b>426,144</b>   |
| Depreciation                             | 12,893                        | 3,126                              | 25,095                           | 14,699            | 55,813           |
| Amortisation                             | 2,979                         | –                                  | 1,249                            | 2,302             | 6,530            |
| Impairment of receivables                | 3,344                         | –                                  | 7,500                            | –                 | 10,844           |
| Share of loss of joint ventures          | –                             | 13,460                             | 2,544                            | –                 | 16,004           |
| Share of loss of associates              | –                             | –                                  | 1,381                            | –                 | 1,381            |
| Income tax expense                       | 41,924                        | 9,683                              | 12,747                           | 3,661             | 68,015           |

## Selected Notes to the Condensed 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 2013 is as follows:

|  | Six months ended 30 June 2013 |                                    |                                  |                   |                  |
|--|-------------------------------|------------------------------------|----------------------------------|-------------------|------------------|
|  | Construction<br>RMB'000       | Property<br>development<br>RMB'000 | Building<br>materials<br>RMB'000 | Others<br>RMB'000 | Group<br>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)        |
| <b>Revenue (from external customers)</b> | <b>7,184,307</b>              | <b>830,183</b>                     | <b>937,451</b>                   | <b>34,159</b>     | <b>8,986,100</b> |
| <b>Operating profit/(loss)</b>           | <b>225,740</b>                | <b>193,288</b>                     | <b>23,087</b>                    | <b>(15,882)</b>   | <b>426,233</b>   |
| 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 a joint venture         | –                             | 1,722                              | –                                | –                 | 1,722            |
| Share of loss of associates              | –                             | –                                  | 1,613                            | –                 | 1,613            |
| Income tax expense                       | 39,152                        | 53,137                             | 6,329                            | 863               | 99,481           |

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 2014.

There has been no material change in total assets and total liabilities from the amount disclosed in the 2013 Financial Statements.

## 7 Land use rights, property, plant and equipment, investment properties and goodwill

|   | Land use<br>rights<br>RMB'000 | Property,<br>plant and<br>equipment<br>RMB'000 | Investment<br>properties<br>RMB'000 | Goodwill<br>RMB'000 |
|---|-------------------------------|--|-------------------------------------|---------------------|
| <b>Six months ended 30 June 2013</b>                |                               |  |                                     |                     |
| <b>Opening net book amount as at 1 January 2013</b> | 576,183                       | 1,110,218                                      | –                                   | 16,534              |
| Additions   | –                             | 101,040  | –                                   | –                   |
| Disposals   | –                             | (8,567)  | –                                   | –                   |
| Amortisation/depreciation                           | (5,994)                       | (53,728)                                       | –                                   | –                   |
| <b>Closing net book amount as at 30 June 2013</b>   | 570,189                       | 1,148,963                                      | –                                   | 16,534              |
| <b>Six months ended 30 June 2014</b>                |                               |  |                                     |                     |
| <b>Opening net book amount as at 1 January 2014</b> | <b>556,586</b>                | <b>1,185,751</b>                               | <b>560,013</b>                      | <b>16,534</b>       |
| Additions   | –                             | 128,148  | –                                   | –                   |
| Disposal of subsidiaries                            | –                             | (3,797)  | –                                   | –                   |
| Disposals   | –                             | (5,743)  | –                                   | –                   |
| Amortisation/depreciation                           | (6,530)                       | (55,813)                                       | –                                   | –                   |
| <b>Closing net book amount as at 30 June 2014</b>   | <b>550,056</b>                | <b>1,248,546</b>                               | <b>560,013</b>                      | <b>16,534</b>       |

The valuations of the investment properties at 30 June 2014 were performed using discounted cash flow (“DCF”) projections based on significant unobservable inputs. The fair value measurement of the investment properties is categorised within level 3 of the fair value hierarchy. The key assumptions used in the valuation are rental cash inflows, capitalisation rates and discount rates.

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

## Selected Notes to the Condensed Interim Financial Information (continued)

## 8 Due from/(to) customers on construction contracts

|   | 30 June<br>2014<br>RMB'000 | 31 December<br>2013<br>RMB'000 |
|---|----------------------------|--------------------------------|
| Contract costs incurred plus recognised profits<br>(less recognised losses) to date | <b>55,285,025</b>          | 49,255,458                     |
| Less: progress billings to date   | <b>(54,610,364)</b>        | (48,816,434)                   |
|   | <b>674,661</b>             | 439,024                        |
| Represented by:   |                            |                                |
| Due from customers on construction contracts  | <b>2,547,097</b>           | 2,338,278                      |
| Due to customers on construction contracts  | <b>(1,872,436)</b>         | (1,899,254)                    |
|   | <b>674,661</b>             | 439,024                        |

## 9 Trade receivables

|                                    | 30 June<br>2014<br>RMB'000 | 31 December<br>2013<br>RMB'000 |
|------------------------------------|----------------------------|--------------------------------|
| Trade receivables                  | <b>1,254,103</b>           | 1,346,223                      |
| Less: provision for doubtful debts | <b>(64,019)</b>            | (56,264)                       |
|                                    | <b>1,190,084</b>           | 1,289,959                      |

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 (but excludes instalment payment arrangement for certain villa and town house projects).

## 9 Trade receivables (continued)

The ageing analysis of the trade receivables is as follows:

|                    | <b>30 June<br/>2014<br/>RMB'000</b> | 31 December<br>2013<br>RMB'000 |
|--------------------|-------------------------------------|--------------------------------|
| Within 3 months    | <b>441,524</b>                      | 562,549                        |
| 3 months to 1 year | <b>436,615</b>                      | 420,870                        |
| 1 to 2 years       | <b>250,833</b>                      | 217,899                        |
| 2 to 3 years       | <b>45,334</b>                       | 79,752                         |
| Over 3 years       | <b>79,797</b>                       | 65,153                         |
|                    | <b>1,254,103</b>                    | 1,346,223                      |

## 10 Other receivables

|  | <b>30 June<br/>2014<br/>RMB'000</b> | 31 December<br>2013<br>RMB'000 |
|--|-------------------------------------|--------------------------------|
| Retention money and project deposits                           | <b>1,186,101</b>                    | 1,070,721                      |
| Prepayments for the land use rights for properties development | <b>582,810</b>                      | 611,047                        |
| Prepayments for others   | <b>118,197</b>                      | 68,710                         |
| Others   | <b>402,340</b>                      | 311,731                        |
|  | <b>2,289,448</b>                    | 2,062,209                      |

## Selected Notes to the Condensed Interim Financial Information (continued)

## 11 Share capital and premium

|                                | Number of<br>shares<br>Thousands | Ordinary<br>shares<br>RMB'000 | Share<br>premium<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------|----------------------------------|-------------------------------|-----------------------------|------------------|
| Opening balance 1 January 2014 |                                  |                               |                             |                  |
| – Domestic shares              | 350,742                          | 350,742                       | –                           | 350,742          |
| – H shares                     | 312,222                          | 312,222                       | 847,295                     | 1,159,517        |
|                                | <b>662,964</b>                   | <b>662,964</b>                | <b>847,295</b>              | <b>1,510,259</b> |
| Repurchase of shares           |                                  |                               |                             |                  |
| – H shares                     | (31,220)                         | (31,220)                      | (90,762)                    | (121,982)        |
| At 30 June 2014                |                                  |                               |                             |                  |
| – Domestic shares              | 350,742                          | 350,742                       | –                           | 350,742          |
| – H shares                     | 281,002                          | 281,002                       | 756,533                     | 1,037,535        |
|                                | <b>631,744</b>                   | <b>631,744</b>                | <b>756,533</b>              | <b>1,388,277</b> |

|                                     | Number of<br>shares<br>Thousands | Ordinary<br>shares<br>RMB'000 | Share<br>premium<br>RMB'000 | Total<br>RMB'000 |
|-------------------------------------|----------------------------------|-------------------------------|-----------------------------|------------------|
| At 1 January 2013, 31 December 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        |

After the repurchase of H shares mentioned in key events in Note 1, as at 30 June 2014, the registered, issued and fully paid capital of the Company was RMB631,744,000 divided into 631,744,000 shares of RMB1.00 per each, comprising 350,742,000 domestic shares and 281,002,000 H shares.

As at 31 December 2013, 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<br>revaluation<br>reserve<br>RMB'000 | Available-<br>for-sale<br>financial<br>assets<br>reserve<br>RMB'000 | Statutory<br>surplus<br>reserve<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|--|---|---|--|-------------------|------------------|
| <b>Six months ended 30 June 2013</b>   |   |   |  |                   |                  |
| Balance as at 1 January 2013   | 2,909                                       | 3,816   | 140,096                                    | (11,079)          | 135,742          |
| Transfer of reserves to income<br>statement upon sale of<br>revaluated properties                | (905)                                       | –   | –  | –                 | (905)            |
| Transfer of reserves to income<br>statement upon sale of available-<br>for-sale financial assets | –   | (240)   | –  | –                 | (240)            |
| Revaluation of available-for-sale<br>financial assets  | –   | (1,192)   | –  | –                 | (1,192)          |
| Revaluation – tax  | –   | 297   | –  | –                 | 297              |
| Transaction with non-controlling<br>interests  | –   | –   | –  | (397)             | (397)            |
| Balance as at 30 June 2013   | 2,004                                       | 2,681   | 140,096                                    | (11,476)          | 133,305          |
| <b>Six months ended 30 June 2014</b>   |   |   |  |                   |                  |
| Balance as at 1 January 2014   | 1,528                                       | 2,446   | 147,036                                    | (11,476)          | 139,534          |
| Transfer of reserves to income<br>statement upon sale of<br>revaluated properties                | (983)                                       | –   | –  | –                 | (983)            |
| Revaluation of available-for-sale<br>financial assets  | –   | 214   | –  | –                 | 214              |
| Revaluation – tax  | –   | (54)  | –  | –                 | (54)             |
| Balance as at 30 June 2014   | 545   | 2,606   | 147,036                                    | (11,476)          | 138,711          |

## Selected Notes to the Condensed Interim Financial Information (continued)

## 13 Trade payables

The ageing analysis of the trade payables is as follows:

|                    | 30 June<br>2014<br>RMB'000 | 31 December<br>2013<br>RMB'000 |
|--------------------|----------------------------|--------------------------------|
| Within 3 months    | 575,755                    | 859,803                        |
| 3 months to 1 year | 763,744                    | 784,555                        |
| 1 to 2 years       | 415,216                    | 241,898                        |
| 2 to 3 years       | 239,685                    | 134,227                        |
| Over 3 years       | 144,312                    | 137,963                        |
|                    | <b>2,138,712</b>           | 2,158,446                      |

## 14 Borrowings

|   | 30 June<br>2014<br>RMB'000 | 31 December<br>2013<br>RMB'000 |
|---|----------------------------|--------------------------------|
| <b>Non-current liabilities</b>                |                            |                                |
| Long-term bank borrowings                     |                            |                                |
| – Secured (Note (a))                          | 194,000                    | 242,509                        |
| <b>Current liabilities</b>                    |                            |                                |
| Short-term bank borrowings                    |                            |                                |
| – Secured (Note (a))                          | 273,953                    | 232,491                        |
| – Unsecured with guarantee (Note (b))         | 105,000                    | 165,000                        |
| – Guarantee by the companies within the Group | 422,000                    | 360,388                        |
|   | <b>800,953</b>             | 757,879                        |
|   | <b>994,953</b>             | 1,000,388                      |

## 14 Borrowings (continued)

Movement in borrowings is analysed as follows:

|                                | Six months ended 30 June |                 |
|--------------------------------|--------------------------|-----------------|
|                                | 2014<br>RMB'000          | 2013<br>RMB'000 |
| Opening amount as at 1 January | 1,000,388                | 845,000         |
| Addition of borrowings         | 717,000                  | 853,400         |
| Repayments of borrowings       | (722,435)                | (895,000)       |
| Closing amount as at 30 June   | 994,953                  | 803,400         |

(a) As at 30 June 2014, secured bank borrowings of the Group were secured by:

|                               | 30 June<br>2014<br>RMB'000 | 31 December<br>2013<br>RMB'000 |
|-------------------------------|----------------------------|--------------------------------|
| Land use rights               | 44,682                     | 8,831                          |
| Property, plant and equipment | 14,649                     | 15,005                         |
| Investment properties         | 560,013                    | 560,013                        |
| Properties under development  | 2,047,174                  | 1,196,933                      |
|                               | 2,666,518                  | 1,780,782                      |

(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 2014 was 5.95% (as at 31 December 2013: 5.82%).

## 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.

## Selected Notes to the Condensed Interim Financial Information (continued)

## 17 Other gains – net

|   | Six months ended 30 June |         |
|---|--------------------------|---------|
|   | 2014                     | 2013    |
|   | RMB'000                  | RMB'000 |
| Government compensation                                   | 950                      | 2,651   |
| Gains on disposals of property, plant and equipment       | 1,217                    | 2,535   |
| Gains on disposals of available-for-sale financial assets | –                        | 3,026   |
| Donation  | (2,005)                  | (5,130) |
| Others  | 1,528                    | (2,805) |
|   | <b>1,690</b>             | 277     |

## 18 Operating profit

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

|   | Six months ended 30 June |           |
|---|--------------------------|-----------|
|   | 2014                     | 2013      |
|   | RMB'000                  | RMB'000   |
| Depreciation of property, plant and equipment | 55,813                   | 53,728    |
| Amortisation of land use rights               | 6,530                    | 5,994     |
| Employee benefit expenses                     | 2,174,565                | 2,027,195 |
| Cost of construction contracts                | 5,255,869                | 5,062,540 |
| Cost of properties sold                       | 612,664                  | 600,381   |
| Cost of inventories sold                      | 767,215                  | 756,246   |
| Operating leases of buildings                 | 4,580                    | 4,521     |

## 19 Finance costs

|  | Six months ended 30 June |          |
|--|--------------------------|----------|
|  | 2014                     | 2013     |
|  | RMB'000                  | RMB'000  |
| Interest on borrowings wholly repayable within five years  | 29,912                   | 24,070   |
| Less: interest capitalised in properties under development | (29,912)                 | (24,070) |
|  | –                        | –        |

## 20 Income tax expense

During the period, the Group is subject to the same types of income taxes as those disclosed in 2013 Financial Statements.

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

|                                   | Six months ended 30 June |          |
|-----------------------------------|--------------------------|----------|
|                                   | 2014                     | 2013     |
|                                   | RMB'000                  | RMB'000  |
| Current income tax                |                          |          |
| – PRC Corporate Income Tax        | <b>133,026</b>           | 119,106  |
| – Land appreciation tax:          |                          |          |
| – Provision for the period        | <b>11,162</b>            | 2,254    |
| – Overprovision in previous years | <b>(78,746)</b>          | (24,400) |
| Deferred income tax, net          | <b>2,573</b>             | 2,521    |
|                                   | <b>68,015</b>            | 99,481   |

## 21 Earnings per share

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

|   | Six months ended 30 June |         |
|---|--------------------------|---------|
|   | 2014                     | 2013    |
| Profit attributable to the owners of the Company (RMB'000)                        | <b>331,639</b>           | 320,154 |
| Weighted average ordinary shares in issue during the period<br>(thousands shares) | <b>654,366</b>           | 662,964 |
| Basic earnings per share (RMB)  | <b>0.51</b>              | 0.48    |

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 2014 (six months ended 30 June 2013: nil). A final dividend of RMB0.10 per ordinary share for 2013, amounting to total dividend of RMB63,174,401, approved at the annual general meeting of the Company on 14 June 2014, was paid on 18 July 2014.

## Selected Notes to the Condensed Interim Financial Information (continued)

## 23 Financial Guarantee

|  | 30 June<br>2014<br>RMB'000 | 31 December<br>2013<br>RMB'000 |
|--|----------------------------|--------------------------------|
| Guarantees given to banks in respect of mortgage facilities granted for certain purchasers | <b>209,865</b>             | 134,037                        |

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.

## 24 Related-party transactions and balances

During the period, there was no advance made to the joint venture. The balance of advance as of 30 June 2014 is unsecured, bearing interest at 7.19% per annum with no fixed terms of repayment (31 December 2013: 6.67%).

During the period, there was no advance made to the associates. The balance of advance as of 30 June 2014 is unsecured, bearing interest at 4% per annum with no fixed terms of repayment (31 December 2013: 4%).

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 2014.

# DEFINITIONS

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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   |
| 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  |
| Property development business | the activities of development of real estate conducted by the Group  |

DEFINITIONS (continued)

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|                       |   |
|-----------------------|---|
| 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 2014   |