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

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

(Stock Code: 2355)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the “Board”) of directors (the “Directors”) of Baoye Group Company Limited* (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014 (the “the period under review”) prepared in accordance with the Hong Kong Financial Reporting Standards, together with comparative figures for the corresponding period in 2013. The interim results had been reviewed by the audit committee of the Board and approved by the Board. The following financial information is extracted from the unaudited condensed interim consolidated financial information as set out in the Group’s 2014 Interim Report.

* For identification purposes only

INTERIM CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2014	2013
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	9,340,369	8,986,100
Cost of sales		(8,744,217)	(8,388,741)
Gross profit		596,152	597,359
Other income		47,455	33,157
Other gains – net		1,690	277
Selling and marketing costs		(23,981)	(19,631)
Administrative expenses		(195,172)	(184,929)
Operating profit		426,144	426,233
Finance costs		–	–
Share of loss of joint ventures		(16,004)	(1,722)
Share of loss of associates		(1,381)	(1,613)
Profit before income tax		408,759	422,898
Income tax expense	3	(68,015)	(99,481)
Profit for the period		340,744	323,417
Profit attributable to:			
– Owners of the Company		331,639	320,154
– Non-controlling interests		9,105	3,263
		340,744	323,417
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB per share)	4	0.51	0.48
Dividends	5	–	–

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	340,744	323,417
Other comprehensive income:		
<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)
Other comprehensive income for the period, net of tax	(800)	(2,040)
Total comprehensive income for the period	339,944	321,377
Total comprehensive income attributable to:		
– Owners of the Company	330,816	318,114
– Non-controlling interests	9,128	3,263
	339,944	321,377

INTERIM CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30 June	31 December
		2014	2013
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Land use rights		550,056	556,586
Property, plant and equipment		1,248,546	1,185,751
Investment properties		560,013	560,013
Goodwill		16,534	16,534
Investment in joint ventures		49,430	49,693
Loan to a joint venture		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
		2,713,646	2,671,526
Current assets			
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		2,547,097	2,338,278
Trade receivables	6	1,190,084	1,289,959
Other receivables		2,289,448	2,062,209
Loan to associates		37,735	37,048
Available-for-sale financial assets	7	102,690	–
Restricted bank deposits		263,040	270,015
Cash and cash equivalents		1,989,795	2,159,157
		13,929,439	13,286,824
Total assets		16,643,085	15,958,350

		Unaudited 30 June 2014 RMB'000	Audited 31 December 2013 RMB'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	8	631,744	662,964
Share premium		756,533	847,295
Reserves	9	138,711	139,534
Retained profits			
– Proposed dividends		–	66,296
– Others		4,125,816	3,791,055
		<u>5,652,804</u>	<u>5,507,144</u>
Non-controlling interests		<u>125,386</u>	<u>103,010</u>
Total equity		<u>5,778,190</u>	<u>5,610,154</u>
LIABILITIES			
Non-current liabilities			
Borrowings		194,000	242,509
Deferred income tax liabilities		61,469	58,929
		<u>255,469</u>	<u>301,438</u>
Current liabilities			
Trade payables	10	2,138,712	2,158,446
Other payables		2,095,768	1,966,302
Receipts in advance		3,162,410	2,612,992
Current income tax liabilities		475,973	651,885
Due to customers on construction contracts		1,872,436	1,899,254
Dividends payable		63,174	–
Borrowings		800,953	757,879
		<u>10,609,426</u>	<u>10,046,758</u>
Total liabilities		<u>10,864,895</u>	<u>10,348,196</u>
Total equity and liabilities		<u>16,643,085</u>	<u>15,958,350</u>
Net current assets		<u>3,320,013</u>	<u>3,240,066</u>
Total assets less current liabilities		<u>6,033,659</u>	<u>5,911,592</u>

Notes:

1 Basis of preparation and accounting policies

The unaudited condensed interim consolidated financial information for the six months ended 30 June 2014 (“Interim Financial Information”) of the Group has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 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”).

The accounting policies applied and methods of computation used in the preparation of this Interim Financial Information are consistent with those used in the 2013 Financial Statements, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for annual accounting periods on 1 January 2014. The adoption of these new and revised standards, amendments and interpretations does not have any material impact on the Group’s result of operation and financial position.

2 Segment information

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 <i>RMB'000</i>	Property development <i>RMB'000</i>	Building materials <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
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)
Revenue (from external customers)	7,507,739	810,702	961,796	60,132	9,340,369
Operating profit	226,034	155,838	38,674	5,598	426,144
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

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

3 Income tax expense

During the period under review, 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 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current income tax		
– PRC Corporate Income Tax	133,026	119,106
– Land appreciation tax:		
– Provision for the period	11,162	2,254
– Over provision in previous years	(78,746)	(24,400)
Deferred income tax, net	<u>2,573</u>	<u>2,521</u>
	<u>68,015</u>	<u>99,481</u>

4 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 under review.

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

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

5 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.

6 Trade receivables

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

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).

The ageing analysis of the trade receivables is as follows:

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

7 Available-for-sale financial assets

Available-for-sale financial assets in current 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 (six months ended 30 June 2013: nil).

8 Share capital

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 RMB 631,744,005.

9 Reserves

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

10 Trade payables

The ageing analysis of the trade payables is as follows:

	30 June 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
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
	<u>2,138,712</u>	<u>2,158,446</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Construction	7,507,739	80%	7,184,307	80%	5%
Property Development	810,702	9%	830,183	9%	-2%
Building Materials	961,796	10%	937,451	11%	3%
Others	60,132	1%	34,159	0%	76%
Total	9,340,369	100%	8,986,100	100%	4%

Operating Profit

	For the six months ended 30 June				Change
	2014		2013		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Construction	226,034	53%	225,740	53%	0%
Property Development	155,838	37%	193,288	45%	-19%
Building Materials	38,674	9%	23,087	6%	68%
Others	5,598	1%	(15,882)	-4%	135%
Total	426,144	100%	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	18,077,898	29%	15,783,434	31%	15%
Urban Infrastructure	18,821,162	31%	15,275,929	30%	23%
Residential Projects	8,513,750	14%	7,561,839	15%	13%
Industrial Projects	12,131,786	20%	9,540,531	19%	27%
Public Housing Projects	3,882,172	6%	2,588,861	5%	50%
Total	61,426,768	100%	50,750,594	100%	21%

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%
Total	61,426,768	100%	50,750,594	100%	21%

* 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 Selling Price (RMB/Sqm)	Floor Areas Sold (Sqms)	Revenue (RMB’000)
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 Wanhuacheng	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, 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 the 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, of which, phase I 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 in 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	% of total	RMB'000	% of total	
Curtain Wall	509,967	53%	433,516	46%	18%
Ready-mixed Concrete	188,861	20%	173,090	18%	9%
Furnishings and Interior Decorations	123,412	13%	165,353	18%	-25%
Steel Structure	124,190	13%	108,116	12%	15%
Wooden Products and Fireproof Materials	12,842	1%	47,083	5%	-73%
Others	2,524	0%	10,293	1%	-75%
Total	961,796	100%	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.

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 lifting the purchase restriction, would also continue to improve the demand in the second half year. The Company has 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 in 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 specialised assembly construction industrialisation capability of standardised 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 polices 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
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	1,989,795	1,899,062
Restricted bank deposits	263,040	182,065
Less: total borrowings	(994,953)	(803,400)
Net cash	1,257,882	1,277,727
Total equity attributable to the owners of the Company	5,652,804	5,164,697
Net cash ratio	22.3%	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	5.9%	6.2%
Net assets value per share (RMB)	8.95	7.79
Current ratio	1.31	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 to 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

		For the six months ended 30 June	
		2014	2013
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Net cash inflow from operating activities	<i>(i)</i>	120,981	350,482
Net cash outflow from investing activities	<i>(ii)</i>	(176,174)	(27,734)
Net cash outflow from financing activities	<i>(iii)</i>	(114,169)	(36,237)
Net (decrease)/increase in cash and cash equivalents		(169,362)	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 2014 RMB'000	31 December 2013 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	209,865	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).

Connected Transactions

During the period under review, the Group had no connected transaction that would require disclosure under the Rules Governing the Listing of Securities on the Stock Exchange Hong Kong Limited (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 has repurchased H Shares for 14 times, and has repurchased 31,220,000 H Shares in total, representing 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 of Hong Kong Limited (the "Stock Exchange").

Litigation and Arbitration

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

Entrusted Deposits and Overdue Time Deposits

As at the date of this announcement, 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.

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.

Corporate Governance Practices

As at the date of this announcement, the Company has complied with all the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (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.

Model Code for Securities Transactions by Directors and Supervisors (the “Model Code”)

The Board and the supervisory committee of the Company have adopted the Model Code as its own code of conduct for securities transactions by the Directors and supervisors of the Company (the “Supervisor”). 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.

Audit Committee

As at the date of this announcement, 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.

Publication of Interim Report

The full text of the Group’s 2014 Interim Report for the six months ended 30 June 2014 will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

Appreciation

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

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

Zhejiang, the People’s Republic of China
25 August 2014

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Pang Baogen, Mr. Gao Lin, Mr. Gao Jiming, Mr. Gao Jun and Mr. Jin Jixiang; one non-executive Director, Mr. Fung Ching, Simon and three independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis, Mr. Li Wangrong and Ms. Liang Jing.

* For identification purposes only