宝 业
BAOYE

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 2009

- A consolidated revenue of RMB5.449 billion was achieved, an increase of approximately 17% from the corresponding period last year.
- Operating profit amounted to RMB653 million, a significant increase of approximately 201% from the corresponding period last year.
- Profit attributable to equity holders of the Company amounted to RMB353 million, soared approximately 241% from the corresponding period last year.
- Earnings per share was RMB0.53, an increase of approximately 231% compared to the corresponding period last year.
- A total of approximately 160,000 square metres real estate properties has been pre–sold, aggregate contract value exceeds RMB1.5 billion as at the end of August 2009.

The board of directors (the "Board") 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 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, together with comparative figures for the corresponding period in 2008. The interim results had been reviewed by the audit committee of the Company and approved by the Board. The following financial information is extracted from the unaudited condensed consolidated financial information as set out in the Group's 2009 Interim Report.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	Unaudited Six months ended 30 June 2009 RMB'000	2008 RMB'000
Revenue	2	5,448,916	4,650,875
Cost of sales		(4,709,338)	(4,347,059)
Gross profit		739,578	303,816
Other income		31,006	42,419
Other gains – net	3	29,118	3,885
Selling and marketing costs		(15,856)	(10,080)
Administrative expenses		(130,998)	(123,085)
Operating profit		652,848	216,955
Finance costs		(35,659)	(60,208)
Share of losses of associates		(1,008)	(1,623)
Profit before income tax		616,181	155,124
Income tax expense	4	(191,772)	(50,347)
Profit for the period		424,409	104,777
Other comprehensive income:			
Transfer of reserves to income statement upon sale of revaluated properties, net of tax		(14,745)	(12,070)
Total comprehensive income for the period		409,664	92,707
Profit attributable to:			
– equity holders of the Company		353,274	103,634
– minority interest		71,135	1,143
		424,409	104,777
Total comprehensive income attributable to:			
– equity holders of the Company		338,529	91,564
– minority interest		71,135	1,143
		409,664	92,707
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted (expressed in RMB per share)	5	0.53	0.16
Dividends	6	–	–

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
ASSETS			
Non–current assets			
Property, plant and equipment		888,757	859,348
Investment properties		18,575	45,235
Land use rights		648,518	748,232
Goodwill		16,534	16,534
Properties under development		–	54,496
Investments in associates		28,420	28,828
Available–for–sale financial assets		5,340	5,340
Deferred income tax assets		28,595	28,298
		1,634,739	1,786,311
Current assets			
Inventories		144,144	117,558
Land use rights		2,109,750	1,694,854
Properties under development		620,413	583,612
Completed properties held for sale		554,597	600,129
Due from customers on construction contracts		1,136,183	1,317,626
Trade receivables	7	651,001	646,345
Other receivables		1,026,137	978,323
Restricted bank deposits		621,376	462,631
Cash and cash equivalents		1,268,625	1,362,935
		8,132,226	7,764,013
Total assets		9,766,965	9,550,324

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		662,964	662,964
Share premium		847,295	847,295
Reserves	8	118,101	132,846
Retained earnings			
– Proposed dividend		–	53,037
– Others		1,604,311	1,251,037
		3,232,671	2,947,179
Minority interest		111,684	43,349
Total equity		3,344,355	2,990,528
LIABILITIES			
Non–current liabilities			
Borrowings		350,000	187,000
Deferred income tax liabilities		57,898	77,904
		407,898	264,904
Current liabilities			
Trade payables	9	809,628	739,283
Other payables		810,775	870,052
Receipts in advance		758,003	1,244,750
Current income tax liabilities		371,927	250,075
Due to customers on construction contracts		853,742	850,011
Dividend payable	6	53,037	–
Borrowings		2,351,600	2,335,221
Provision for warranty		6,000	5,500
		6,014,712	6,294,892
Total liabilities		6,422,610	6,559,796
Total equity and liabilities		9,766,965	9,550,324
Net current assets		2,117,514	1,469,121
Total assets less current liabilities		3,752,253	3,255,432

Note:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim financial information for the six months ended 30 June 2009 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 2008, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

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

The following new standards, amendments and interpretations to existing standards, which have been published and are mandatory for the financial year beginning on 1 January 2009, are relevant to the Group:

- HKAS 1 (Revised) 'Presentation of financial statements'

  The revised standard prohibits the presentation of items of income and expenses (that is 'non–owner changes in equity') in the statement of changes in equity, requiring 'non–owner changes in equity' to be presented separately from owner changes in equity. All 'non–owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present one performance statement (the statement of comprehensive income). The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'

  HKFRS 8 replaces HKAS 14. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purpose. Since the business segments reported by the Group in accordance with requirement of IAS 14 are the same as the operating segments provided to the chief operating decision–maker, there are no material changes to the operating segments and their results on the adoption of HKFRS 8.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'

  The amendment requires enhanced disclosures about fair value measurements and liquidity risk. Amendment to HKFRS 7 is not relevant to the preparation of interim financial information. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.

- HK(IFRIC) 15, 'Agreements for the construction of real estate'

  HK(IFRIC) 15 clarifies whether HKAS 18, 'Revenue' or HKAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. The accounting policy currently adopted by the Group complies with the interpretation.

- HKAS 23 (Revised), 'Borrowing costs'

  The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The accounting policy of borrowing costs currently adopted by the Group complies with the requirement of HKAS 23 (Revised).

The Group also adopted the HKICPA's improvements to HKFRS published in October 2008, which are relevant to the Group and effective from 1 January 2009. Such improvements have no material impact to the financial statements of the Group.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKFRS 2 (Amendment), 'Share–based payment'.
- HKAS 32 (Amendment), 'Financial instruments: presentation'.
- HK(IFRIC) 9 (Amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) 13, 'Customer loyalty programmes'.
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'
- HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement'.

2. SEGMENT INFORMATION

The chief operating decision–maker includes executive directors, who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business from a business perspective, by assessing the performance of the following three main business segments:

- Construction – provision of construction services
- Building materials – manufacture and sale of building materials
- Property development – development and sale of properties

The Group's other operations mainly comprise the provision of architectural and interior design services, provision of construction equipment rental services. Neither of these constitutes a separate reportable segment.

The executive directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes financial costs and share of losses of associates from the operating segments. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the financial statements.

Segment assets consist primarily of land use rights, property, plant and equipment, properties under development, completed properties held for sale, inventories, amounts due from customers on construction contracts, receivables and operating cash. They exclude items such as deferred tax assets, investment properties and available–for–sale financial assets.

Turnover consists of sales from construction, building materials, and property development segments, which are RMB3,829,334,000, RMB561,555,000 and RMB1,020,389,000 for the six months ended 30 June 2009 and RMB3,751,182,000, RMB552,704,000 and RMB306,135,000 for the six months ended 30 June 2008 respectively.

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 statement of comprehensive income.

The unaudited segment results for the six months ended 30 June 2009 are as follows:

	Six months ended 30 June 2009				
	Construction	**Building materials**	**Property development**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	4,035,696	632,068	1,020,389	40,156	5,728,309
Inter–segment revenue	(206,362)	(70,513)	–	(2,518)	(279,393)
Revenue (from external customers)	3,829,334	561,555	1,020,389	37,638	5,448,916
Operating profit	110,946	21,922	519,844	136	652,848
Finance costs					(35,659)
Share of losses of associates	–	–	(1,008)	–	(1,008)
Profit before income tax					616,181
Income tax expense					(191,772)
Profit for the period					424,409

The unaudited segment results for the six months ended 30 June 2008 are as follows:

	Six months ended 30 June 2008				
	Construction	**Building materials**	**Property development**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	3,858,486	633,659	306,135	42,795	4,841,075
Inter–segment revenue	(107,304)	(80,955)	–	(1,941)	(190,200)
Revenue (from external customers)	3,751,182	552,704	306,135	40,854	4,650,875
Operating profit	100,944	27,737	85,208	3,066	216,955
Finance costs					(60,208)
Share of losses of associates	–	–	(1,623)	–	(1,623)
Profit before income tax					155,124
Income tax expense					(50,347)
Profit for the period					104,777

Other unaudited segmental items included in the consolidated statement of comprehensive income are as follows:

	Six months ended 30 June 2009				
	Construction	**Building materials**	**Property development**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation	15,457	21,002	2,069	5,590	44,118
Amortisation	2,905	1,947	323	612	5,787
Impairment of receivables– net	293	(800)	(261)	60	(708)

	Six months ended 30 June 2008				
	Construction	**Building materials**	**Property development**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation	18,087	16,795	607	965	36,454
Amortisation	2,741	2,044	112	283	5,180
Impairment of receivables – net	366	(54)	207	(209)	310

The segment assets are as follows:

	Construction	**Building materials**	**Property development**	**Others**	**Unallocated**	**Total Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2009						
Total assets (unaudited)	4,471,676	1,375,367	3,472,891	394,521	52,510	9,766,965
Total assets include:						
Investment in associates	–	–	28,420	–	–	28,420
Additions to non–current assets (other than financial instruments and deferred tax assets)	39,938	11,714	23,265	18,939	–	93,856
As at 31 December 2008						
Total assets (audited)	4,345,225	1,350,473	3,388,186	387,567	78,873	9,550,324
Total assets include:						
Investment in associates	–	–	28,828	–	–	28,828
Additions to non–current assets (other than financial instruments and deferred tax assets)	84,840	60,890	288,013	82,752	–	516,495

The Group's business activities were mainly carried out in the PRC where the vast majority of the Group's assets are located. The Group had also undertaken construction business in three African countries, namely The Republic of Djibouti ("Djibouti"), The Republic of Botswana ("Botswana") and The Republic of Seychelles ("Seychelles), and had procured certain operating assets for use in these countries.

3. OTHER GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Government compensation	16,023	283
Gains on disposals of investment properties	9,079	–
Fair value gains on investment properties	2,724	–
Gains on debts restructuring	1,377	2,147
Gains on disposals of property, plant and equipment	661	235
Others	(746)	1,220
	29,118	3,885

4. INCOME TAX

(i) Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group has no assessable profit earned in or derived from Hong Kong for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

(ii) PRC Enterprise Income Tax ("EIT")

PRC EIT is provided on the assessable income of the Group's entities incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances.

The Company and its subsidiaries are subject to EIT at a rate of 25% (2008: 25%).

(iii) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The amounts of income tax expenses charged to the condensed consolidated statement of comprehensive income represent:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current income tax		
– PRC EIT	124,379	53,621
– PRC land appreciation tax	87,696	14,220
Deferred income tax	(20,303)	(17,494)
	191,772	50,347

5. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June 2009	2008
Profit attributable to equity holders of the Company (RMB)	353,274,000	103,634,000
Weighted average number of ordinary shares in issue during the period	662,964,005	662,964,005
Basic earnings per share (RMB)	0.53	0.16

Diluted

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

6. DIVIDENDS

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil). A final dividend of RMB0.08 per ordinary share for 2008, amounting to total dividend of RMB53,037,000, was approved at the annual general meeting of the Company on 26 June 2009, which was paid on 15 July 2009.

7. TRADE RECEIVABLES

	Unaudited 30 June 2009 *RMB'000*	Audited 31 December 2008 *RMB'000*
Trade receivables	676,259	672,311
Less: provision for doubtful debts	(25,258)	(25,966)
	651,001	646,345

Customers are, in general, 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 are granted. The ageing analysis of the trade receivables is as follows:

	Unaudited 30 June 2009 *RMB'000*	Audited 31 December 2008 *RMB'000*
Within 3 months	319,126	283,477
3 months to 1 year	176,127	227,898
1 to 2 years	85,216	84,789
2 to 3 years	57,269	25,682
Over 3 years	38,521	50,465
	676,259	672,311

8. RESERVES

	Assets revaluation reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Total *RMB'000*
Six months ended 30 June 2008			
Opening balance as at 1 January 2008 (audited)	79,766	66,980	146,746
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	(12,070)	–	(12,070)
Closing balance as at 30 June 2008 (unaudited)	67,696	66,980	134,676
Six months ended 30 June 2009			
Opening balance as at 1 January 2009 (audited)	64,671	68,175	132,846
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	(14,745)	–	(14,745)
Closing balance as at 30 June 2009 (unaudited)	49,926	68,175	118,101

9. TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	Unaudited 30 June 2009 *RMB'000*	Audited 31 December 2008 *RMB'000*
Within 3 months	318,232	197,876
3 months to 1 year	290,169	264,120
1 to 2 years	113,910	163,068
2 to 3 years	36,394	52,776
Over 3 years	50,923	61,443
	809,628	739,283

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the six months ended 30 June 2009, the Group achieved a consolidated revenue of RMB5,448,916,000, representing an increase of approximately 17% from the corresponding period last year; operating profit amounted to RMB652,848,000, registering a significant increase of approximately 201% from the corresponding period last year; profit attributable to equity holders of the Company amounted to RMB353,274,000, soared approximately 241% compared to the same period last year. Earnings per share was RMB0.53, representing an increase of approximately 231% compared to the same period last year. The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2009.

Reaping from the improved profit margins on realised properties sales including the Jing'an Ziyuan project in Shanghai during the first half of the year, profit attributable to equity holders saw a vibrant upsurge.

Except for a fair value gain amounting to RMB2,724,000 attributable to investment properties (six months ended 30 June 2008: nil), all other profits that were accounted for and realised during the six months ended 30 June 2009 were operational profit and generated real cash inflow.

Revenue

	For the six months ended 30 June				
	2009		**2008**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Construction	3,829,334	70%	3,751,182	81%	+2%
Property Development	1,020,389	19%	306,135	6%	+233%
Building Materials	561,555	10%	552,704	12%	+2%
Others	37,638	1%	40,854	1%	–8%
Total	5,448,916	100%	4,650,875	100%	+17%

Operating Profit

	For the six months ended 30 June				
	2009		**2008**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Construction	110,946	17%	100,944	47%	+10%
Property Development	519,844	80%	85,208	39%	+510%
Building Materials	21,922	3%	27,737	13%	–21%
Others	136	0%	3,066	1%	–96%
Total	652,848	100%	216,955	100%	+201%

Construction Business

For the six months ended 30 June 2009, the Group's construction business achieved a revenue of RMB3,829,334,000, representing a growth of approximately 2% over the same period last year; operating profit amounted to RMB110,946,000, representing an increase of approximately 10% compared to the same period last year.

As at 30 June 2009, the Group's total contract value under construction–in–progress amounted to RMB27,158,590,000, details of which are analysed below:

By project nature:

	As at 30 June				
	2009		**2008**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Government & Public Buildings	10,320,264	38%	10,563,542	39%	–2%
Urban Infrastructure	8,690,749	32%	7,854,941	29%	+11%
Residential Projects	4,616,960	17%	4,875,481	18%	–5%
Industrial Projects	3,530,617	13%	3,792,041	14%	–7%
Total	27,158,590	100%	27,086,005	100%	+0.3%

By region:

	As at 30 June				
	2009		**2008**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Zhejiang Province	8,690,749	32%	9,209,242	34%	–6%
Shanghai	8,962,335	33%	7,584,081	28%	+18%
Central China Region	5,974,890	22%	7,313,221	27%	–18%
Northern China Region	2,715,858	10%	2,600,257	10%	+4%
Overseas*	814,758	3%	379,204	1%	+115%
Total	27,158,590	100%	27,086,005	100%	+0.3%

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

Due to Baoye's established goodwill and reputation in the market place and increased market presence in other provinces besides Zhejiang Province, the Group's total contract value under construction–in–progress still recorded a moderate increase of approximately 0.3%, amounting to approximately RMB27.2 billion, in which order backlog amounts to approximately RMB19.8 billion. In addition, new orders amounted to approximately RMB1.5 billion have been contracted for but not yet commenced construction works. As at 30 June 2009, the total construction order backlog value plus new construction contracts amounted to approximately RMB21.3 billion (30 June 2008: RMB20.5 billion) in total.

The Group endeavors to adopt the mission of "brand building and technology enhancement" in fostering new construction projects with emphasis on quality and brand recognition in enhancing its dominant position in the market. During the six months ended 30 June 2009, the Group has contracted for new construction projects in the amount of approximately RMB3.8 billion, which comprises a number of high–end construction projects including the Terminal Building of Shandong Dongying Airport, the complex building of Sanmen State Nuclear Electricity Plant and the Inspection Building of Jingzhou Port, Hubei. These new mega construction projects marked important milestones, following the New Terminal Building of Hangzhou International Airport and Jing'an Temple Traffic Terminal construction projects that were contracted for in 2008, in enhancing the Group's position in the high–end construction market.

Property Development Business

For the six months ended 30 June 2009, the revenue of the Group's property development business amounted to RMB1,020,389,000 (revenue before deductions of sales tax and related levies was RMB1,078,555,000), representing an increase of approximately 233% from the same period last year. The Group's property development business contributed an operating profit of RMB519,844,000, representing an increase of approximately 510% compared to the same period last year.

During the six months ended 30 June 2009, the substantial increase in revenue and operating profit of the Group's property development business was primarily derived from and concluded in City Green Garden Phase II in Hefei and Jing'an Ziyuan in Shanghai. City Green Garden Phase II in Hefei has recorded sold units, an equivalent of approximately 43,522 square metres, registering a total revenue of approximately RMB189,313,000 with an average selling price per square metre of RMB4,350. Jing'an Ziyuan in Shanghai has recorded sold units, an equivalent of approximately 24,055 square metres, registering a total revenue of approximately RMB854,000,000 with an average selling price per square metre of RMB38,922 and RMB29,102 of the residential and office units respectively. Sale of the commercial units carried forward from prior years has recorded revenue of approximately RMB27,642,000 and income from rental properties is approximately RMB7,600,000.

Projects under development

As at 30 June 2009, the Group's projects under development are tabulated below:

Project Name	**Location**	**Estimated Gross Floor Area** *(square metres)*	**Equity Interest of the Group**
Baoye Four Seasons Garden Phase I	Shaoxing	100,000	100%
Daban Fengqing Phase I	Shaoxing	130,000	100%
Yuyuan	Shaoxing	89,000	49%
Jing'an Ziyuan	Shanghai	48,239	70%
City Green Garden Phase II	Hefei	66,000	100%
City Green Garden Phase III	Hefei	100,000	100%
Baoye Tongcheng Green Garden Phase I	Hefei	100,000	100%
Baoye Moon Lake Garden	Hubei Jingmen	82,000	100%
Xudong Yayuan	Wuhan	30,600	100%

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a "province–rank" resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilization flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from downtown of Shaoxing City, it is known as the "natural treasure in the heart of a city". Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres with 0.5 time plot ratio and a planned gross floor area of approximately 525,000 square metres for the development of deluxe villas, semi–detached villas, garden villas and town houses. It also consists of a golf club and a five–star resort hotel, a country park and a central lakeside garden with full–fledged facilities. The construction of a total of 100,000 square metres of Baoye Four Seasons Garden Phase I has commenced and the pre–sale is expected to begin in the second half of 2009.

Daban Fengqing is located in Keqiao, Shaoxing County, having a total site area of approximately 100,000 square metres with 2.5 times plot ratio for development of gross floor area of 250,000 square metres. The land is in the development zone of the future central business district of Keqiao, alongside the "dual lake" district, east of Dabanhu, with adequate and well–developed community facilities. The project will be positioned as a premier residential property in Keqiao, Shaoxing County and will be developed in two phases. Daban Fengqing Phase I has a total gross floor area of 130,000 square metres, of which 45,000 square metres has been put up for pre–sale in June 2009, all of which has been sold out at the end of August 2009.

Yuyuan, located at No.1 Yangming Road, Shaoxing City, having a total site area of approximately 180,000 square metres with a plot ratio of 0.5 times, is designated for the development of 89,000 square metres' up–scale residential properties. The Group and Greentown China Holdings Limited, a listed company on the HKEx (stock code: 3900), jointly acquired the site area and will co–develop it into a high–end property project in which the Group is 49% interested. The land area is within the resort district of Kuaijishan Tourist Resort Zone, a prime location in Shaoxing City and is of close proximity to the Group's golf club and Baoye Four Seasons Garden. Yuyuan will be developed as a low density deluxe villa project. The pre–sale of Yuyuan Phase I, a total of 27 deluxe villas, has begun in March 2009. As at the end of August 2009, a total of 21 villas had been sold.

Jing'an Ziyuan is located on Jiangning Road in Jing'an District of Shanghai, close to the downtown prominent area, "Golden Delta" of Nanjing Road West, which is truly a prime location of Shanghai. The project has a gross floor area of approximately 48,239 square metres, which were developed as luxurious service apartments. As at the end of August 2009, a total of 31,132 square metres has been sold of which 24,055 square metres have been accounted for as sale and the balance of 7,077 square metres has not been included in the results for the first half of 2009. The remaining unsold 17,107 square metres comprise 10,300 square metres of underground garage, which is held for long term investment for rental purposes, and the balance 6,807 square metres will continue to be sold.

City Green Garden, Phase II, a total gross floor area of 17,000 square metres in a prime developing zone in Hefei City, Anhui, is located in Yaohai District with convenient transportation. It comprises mainly high–end properties with a portion of retail shops and offices. An aggregate of 60,000 square metres and 43,522 square metres have been accounted for in 2008 and in the first half of 2009 respectively. The remaining 66,000 square metres of City Green Garden Phase II has all been pre–sold. City Green Garden Phase III has a total gross floor area of approximately 100,000 square metres of which 50,000 has been pre–sold already.

Baoye Tongcheng Green Garden is located in Baohe District of Hefei City, Anhui, with a land area of 58,570 square metres and 2.8 times plot ratio for development of gross floor area of 164,000 square metres. This property comprises nine high–rise buildings including condominiums, studio flats and a commercial complex. The project sets a new model of "green living quality life style" and is of close proximity to University of Science and Technology of China and supported by comprehensive community services in Hefei. Baoye Tongcheng Green Garden Phase I has a total gross floor area of 100,000 square metres. The pre–sale of the Phase I of this property has started at the end of 2008 and good response was received from the market. As at the end of August 2009, 55,000 square metres had been sold.

Baoye Moon Lake Garden is located in Dongcheng District, Jingmen, Hubei, with well–developed community facilities and convenient transportation, having 1.8 times plot ratio for commercial and residential properties development and a total gross floor area of 82,000 square metres. The project comprises 22 buildings, 13 of which are high–rise buildings, 9 of which are low–rise buildings. Buildings alongside Yuelianghu Road will be developed as commercial–residential units. At present, the core construction has been completed. It is expected that the pre–sale of the project units will start in 2010.

Xudong Yayuan is located in Wuchang District, Wuhan, with well–developed facilities and convenient transportation, having a land area of 11,000 square metres and 2.8 times plot ratio for development of small dwelling–size properties of 30,600 square metres. At present, the construction of this property has been started and it is expected that the pre–sale will start in 2010.

Land Reserve

Our current level of land bank is sufficient for properties development in the next three to five years, therefore the Group had not procured new land bank in the first half of 2009. However, the Group has been actively seeking for appropriate lands in Shaoxing, Hefei and Tianjin for property development potentials and prospects in the future. Our strategies would be to focus on the markets where the Group is familiar with and would not compete for land reserves by paying premium prices.

Building Materials Business

For the six months ended 30 June 2009, the revenue of the Group's building materials business was RMB561,555,000, up approximately 2% over the same period last year; operating profit was RMB21,922,000, a decrease of approximately 21% over the same period last year.

The revenue breakdown of the Group's building materials is as follows:

	For the six months ended 30 June		
	2009	**2008**	
	RMB'000	*RMB'000*	*Change*
Ready–mixed concrete	129,158	127,122	+2%
Curtain wall	179,698	165,811	+8%
Wood products and interior decoration	146,004	143,703	+2%
Steel structure	73,002	71,852	+2%
Concrete pipes	22,462	27,635	–19%
Concrete ducts	2,808	5,527	–49%
Large roof sheathings	2,808	2,764	+2%
Fireproof materials	5,615	8,290	–32%
Total	561,555	552,704	+2%

As depicted from above, though facing the global financial tsunami, leveraging on its product advancement technologies, the Group's building materials business continued to register a slight growth despite the adverse economic environment during the first half of the year; some traditional products' sales such as concrete pipes, concrete ducts and fireproof materials have been dropping due to intense competition. The Group's profit margin in this sector of business had also saw a decline primarily due to increased operating losses that were accounted for in wood products and steel structure during the period under review.

With respect to construction technologies advancement, the Group has, in collaboration with the China Construction Research Institute and other research institutions, co–developed a number of construction technologies in the areas of green residential housing, two of which have been granted international patents. In April 2009, a national research center emphasised on 9 core research contents in the areas of construction technologies and industrialisation of residential unit has been established in and attached to Baoye Group's research center, the first of its kind being associated with a private and construction enterprise in China, specialising in the establishment of standards and inspection benchmarks in various laboratories. In addition, the Group's housing industrialisation base has been endorsed by the national experts in the industry.

Business Prospect

Construction business is the platform for the Group's business development, which brings in steady and stable cash inflow

During the period under review, affected by both the global financial crisis as well as the slow down in domestic economy, the construction sector also experienced a decline. In order to alleviate the negative impacts that might have caused the domestic economy, PRC government has announced a RMB4 trillion investment spending in 10 major industries under a series of economic policies to boost the domestic economy. The Group has been able to grasp this growing opportunity and has been awarded a number of major construction contracts, including schools, hospitals, cultural centres and complexes, airports and other major infrastructural development facilities and projects. These construction projects have laid a very solid foundation for the Group to enter the high–end construction sector.

The Group has participated in establishing a number of national construction standards. By applying and complying with these standards, the Group is able to enhance its capabilities in the design, project management and operations management. These core competencies will enable the Group to benefit from improved profit margin, risk management, production safety, supply chain management, production process flow and operating results. Simultaneously, it will also enhance the marginal utilities for both the corporate and communities-at-large at the same time.

The total construction order backlog value plus new construction contracts valued at RMB21.3 billion in total. Our construction business will see a great prospect ahead of us in light of the RMB4 trillion investment spending in infrastructural construction projects, in which the Group is confident to bid for a larger share of the pie.

Property Development business will contribute significant growth in terms of profitability to the Group

The real estate markets in China have rebounded quickly in response to various government stimulating policies, which includes lowering the down payment ratio for first time buyer and debt to equity ratio for property development projects. The Group believes that real estate markets will continue to benefit from these government stimulating policies.

During the period under review, the Group's Daban Fengqing, Yuyuan, Jing'an Ziyuan, City Garden and Baoye Tongcheng Green Garden projects have reported very satisfactory pre–sale results. As at 31 August 2009, the aggregate gross floor areas sold were approximately 160,000 square metres and the total contract value exceeds RMB1.5 billion. Nevertheless, the Group's premium properties products, Baoye Four Seasons Garden will commence pre–sale in the second half of the year. All of which present a clear earning visibility for the Group in the foreseeable future.

Building Materials business is an important strategy to sustain continuous growth for the Group

The Group's building materials business has been developed in accordance with the development plan of housing industrialisation, which includes wood products, light steel structure, steel structure, reinforced concrete and remixed materials. Industrialisation of building materials involves processes under which residential unit is built at site location through use of assembling of structure and parts which are manufactured at factory. This mode of production processes sets unprecedented production methodologies in China construction industry, which is similar to mass production lines in well–developed countries. By comparing it to traditional construction methodologies, the advantages of adopting industrialisation of building materials are environmental friendly and energy saving, minimisation of waste and pollution at site, improving construction speed, mass production, standardisation, shorter construction time, and, more importantly, accelerate cash flow cycle.

The Group believes that the PRC government will ultimately adopt housing industrialisation in order to protect the environment, to conserve energy and minimize waste. Enterprises will ultimately adopt housing industrialization in order to adapt to the inevitable construction development trend. However, this target would not be achieved in the short term and would take a much longer time horizon in setting up standardization, unit production, and measurement, production of inter–changeable parts, on–site installation and assembling processes before housing industrialisation takes place.

On 29 August 2008, the Standing Committee of the National People's Congress enacted the implementation of the "Circular Economy Promotion Law of People's Republic of China" to be effective 1 January 2009. The PRC government encourages and supports the development of circular economy through the implementation of aforesaid law, asserting that development strategy of the Group's building materials business (environmentally friendly building materials and residential units) is consistent with the country's development policies.

During the period under review, the Construction and Housing Industrialisation Institute of the National Center for Construction Engineering Technology Research has been established in the Group, the first of its kind being associated with a private enterprise in China. In addition, the Group's housing industrialisation base has been endorsed by the national experts in the industry. At present, the Group has attained the international standards for testing, inspection and manufacturing of industrialised residential properties and has maintained qualified laboratories for these purposes, thus consolidating the Group's leading position in the forefront of the industry.

The rural economy in the Yangtze Delta Area takes a lead in the China economy, where the requirement for housing moves from quantity to quality. The housing industrialization in village or county tends to maximise utility on resources, minimise waste and pollution, and environmental friendly to ensure its continuous development. Therefore, the future prospect for housing industrialisation is great in the rural communities where replacement of quality residential housing units call for a big demand and will provide a healthy return for the Group's building materials business. The Company is actively negotiating with the relevant government authorities for co–development of "New Village"project.

FINANCIAL REVIEW

Treasury Policies

The Group adopts a prudent approach on financial policies and takes stringent 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 its sustainable development and internal resources available, with a view to optimising the capital structure of the Group.

The Group has established a financial settlement center, which centralises funding for all its subsidiaries at Group level. The Board believes that such policy will enable the Group to achieve better controls on the treasury operations, minimise financing risks and lower the capital cost.

Financial Resources and Liabilities

With its steady growth in cash flow, sound credit record and excellent reputation in the industry, the Group preserved an AAA credit rating by a credit rating institution recognized by the People's Bank of China in 2009. Such excellent credit rating will benefit the Company's financing activities and allows the Group to continue to enjoy the prime rate offered by the People's Bank of China. During the period, the vast majority of the Group's borrowings were on an unsecured basis, about 16% of the Group's borrowings were on secured basis. The Group will take advantage of its good credit to continue to take borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

The Group's objectives in managing capital are to safeguard the Group's ability to operate as a going concern to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

As at 30 June 2009, the Group's net bank borrowings amounted to RMB811,599,000, after deductions of cash and cash equivalent, and restricted bank deposits (as at 30 June 2008: RMB834,762,000). The Group's net gearing ratio (net bank borrowings / equity attributable to equity holders' of the Company) was 25.1% (30 June 2008: 28.7%). The Group plans to maintain the gearing ratio at such healthy level.

Key Financial Ratios

	As at 30 June	
	2009	**2008**
Return on equity (%)	10.9%	3.6%
Net assets value per share (RMB)	4.88	4.38
Net gearing ratio (%)	25.1%	28.7%
Current ratio	1.35	1.01

Return on equity	=	profits attributable to equity holders of the Company/ equity attributable to equity holders' of the Company
Net assets value per share	=	net assets/number of issued shares at the end of the period under review
Net gearing ratio	=	net bank borrowings/equity attributable to equity holders' of the Company
Current ratio	=	current assets/current liabilities

During the period under review, profit attributable to equity holders of the Company amounted to RMB353,274,000, registering a growth of 203% compared to the same period last year due to the inclusion of revenue derived from Jing'an Ziyuan which was sold in 2008. Because the profit margin was high, net assets value per share saw a commendable growth. As at 30 June 2009, net bank borrowings was RMB811,599,000, similar to RMB834,762,000 in the corresponding period last year. Because the profit attributable to equity holders was high, equity holders' interest had increased significantly, thus debt gearing ratio reported a decline when compared to the same period last year. Land use rights, properties under development and completed properties held for sale that are available for sale within one year have increased substantially, current ratio was then improved.

Cash Flow Analysis

		As at 30 June	
		2009	**2008**
	Note	*RMB'000*	*RMB'000*
Net cash (outflow)/inflow from operating activities	(i)	(272,516)	36,505
Net cash inflow/(outflow) from investing activities	(ii)	1,627	(55,340)
Net cash inflow from financing activities	(iii)	176,579	475,770
(Decrease)/increase in cash and cash equivalents		(94,310)	456,935

Note:

(i) The net cash outflow from operating activities was RMB272,516,000, this compared to net cash inflow of RMB36,505,000 of the same period in 2008, representing an increase of RMB309,021,000 from the same period in 2008. This was primarily attributable to payment of land use rights for Baoye Four Seasons Garden in the sum of RMB393,863,000. On the other hand, the receipt from pre–sale of properties amounted to RMB525,000,000, compared to the receipt of pre–sale of properties of RMB494,000,000 of the same period last year.

(ii) During the period under review, the net cash inflow from investing activities was RMB1,627,000, mainly attributable to the disposal of Shaoxing Baoye Building Materials Shopping Center which was previously accounting for as a investment property, carrying a cash inflow of RMB44,000,000 (recorded under "other gains-net" of the income statement). The net cash inflow from interest income amounted to approximately RMB31,000,000. On the other hand, approximately RMB73,373,000 was allocated to the construction of the building materials industrial parks in Hefei and Wuhan and increase in other fixed assets.

(iii) The net cash inflow from financing activities was RMB176,579,000, compared to the net cash inflow of RMB475,770,000 of the same period in 2008, a reduction of RMB299,191,000 from the same period last year. The reduction was primarily attributable to decrease in new bank borrowings during the reporting period.

Land Appreciation Tax

On 28 December 2006, the State Administration of Taxation pronounced a circular in respect of the rules and regulations pertaining to land appreciation tax applicable to real estate and property development enterprises in clearing their pending tax assessment. The appreciation tax came into effect in 1993. The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial and Accounting Reporting Standards in accounting for such tax provision. Besides, the Group is a comprehensive construction enterprise with construction, building materials and property development as its three main businesses. Therefore, the financial impact resulting from the tax pronouncement towards the Group's operating results will not be very significant.

Administrative Expenses

The Group's administrative expenses increased from RMB123,085,000 in the six months ended 30 June 2008 to RMB130,998,000 in the six months ended 30 June 2009, a moderate increase of RMB7,913,000, or 6% compared to the same period last year. Followed by the rapid business expansion, administrative expenses had also increased. This, compared with the revenue growth of 17%, was well brought under control, pursuant to the policies undertaken by the Group to minimise its administrative expenses.

Financial Expenses

Financial expenses are interest expenses attributable to bank borrowings. The weighted average effective annual interest rates of the Group reduced from 5.82% at 31 December 2008 to 4.65% as at 30 June 2009. The Group has implemented certain interest rate controlling tools which includes, inter alia, close monitoring of interest rate movements and negotiating interest borrowing rates in favor of the Group when renewing of new bank borrowings.

External Guarantee and Fulfillment

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Guarantees given to banks in respect of mortgage facilities granted to third parties	32,524	50,830

The Group has 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 subsidiaries of the Group. The banks will release such guarantee only 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 2009, land use rights, buildings and properties under development at a total value of approximately RMB719,997,000 (as at 31 December 2008: RMB428,029,000) were pledged to banks as security in securing short–term bank loans.

Capital Expenditure Plan

In consideration of the uncertainties brought by the global financial tsunami, the Group adopts a prudent approach in capital expenditure spending to secure our cash resources at safety level. At present, the Group has only budgeted for a capital expenditure in the sum of RMB50 million for the development and construction of Kuaiji Mountain Resort Hotel in the second half of the year.

Adjustment of RMB Exchange Rate and Foreign Exchange Risks

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

Connected Transaction

During the period under review, the Group did not have any transaction which constitutes connected transaction that requires disclosure under the Listing Rules.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

Human Resources

As at 30 June 2009, the Group had a total of approximately 3,710 permanent employees (30 June 2008: 3,690). There are approximately 59,100 indirectly employed construction site workers (30 June 2008: 57,000) who are not permanent employees of the Group. For the six months ended 30 June 2009, total staff cost amounted to RMB730,291,000 (the same period in 2008: RMB609,687,000). Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual. The Group is subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, benefits provided by the Group include pension and medical insurance. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Board continuously review and implement effective employee incentive plans from time to time.

Code on Corporate Governance Practices

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2009, except that the role of the chief executive officer of the Company has been assumed by Mr. Pang Baogen, the chairman of the Board. Three general managers have been appointed to overseeing and managing the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has partly 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 and such simple management structure can enhance the communication amongst staff at different levels as well as facilitating execution of the Company's new policies effectively. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

Model Code for Securities Transactions by Directors

The Board and the Supervisory Committee have adopted the Model Code for Securities Transactions by Directors of Issuers ("Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the directors and supervisors of the Company. Specific enquiries have been made by the Company to all the directors and supervisors, all of whom have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2009. Relevant employees who are likely to be in possession of unpublished price–sensitive information of the Group are also subject to compliance with written guidelines on more rigid terms to the Model Code.

Audit Committee

The audit committee of the Company consists of three independent non–executive directors, Mr. Wang Youwei (Chairman), Mr. Yi Deqing and Mr. Chan Yin Ming, Dennis. The audit committee held one meeting during the period under review, and all three members attended the meeting. The audit committee has discussed with the management the accounting policies as well as critical accounting estimates and assumptions and discussed with the auditors on the audit plan and key audit areas. The audit objectives and the scope of the internal audit department of the Group were also discussed. The interim results of the Group for the six months ended 30 June 2009 had been reviewed by the audit committee before being approved by the Board.

Publication of Interim Report

The full text of the Company's 2009 Interim Report will be sent to the shareholders of the Company and posted on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

Appreciation

The Board would like to take this opportunity to express gratitude to our shareholders, customers, suppliers, banks, professional parties and employees 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
7 September 2009

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Pang Baogen, Mr. Gao Lin, Mr. Gao Jiming, Mr. Zhou Hanwan and Mr. Wang Rongfu; and five independent non–executive directors, namely Mr. Wang Youwei, Mr. Yi Deqing, Mr. Hu Shaozeng, Mr. Chan Yin Ming, Dennis and Mr. Sun Chuanlin.