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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 2010

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 2010 prepared in accordance with the Hong Kong Financial Reporting Standards, together with comparative figures for the corresponding period in 2009. 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 Interim financial information as set out in the Group's 2010 Interim Report.

* *For identification purposes only*

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Unaudited Six months ended 30 June	
		2010	**2009**
	Note	*RMB'000*	*RMB'000*
			(Restated)
Revenue	*2*	5,622,448	5,448,916
Cost of sales		(5,142,045)	(4,709,338)
Gross profit		480,403	739,578
Other income		31,037	31,006
Other gains – net	*3*	40,732	29,118
Selling and marketing costs		(10,379)	(15,142)
Administrative expenses		(143,465)	(129,549)
Operating profit		398,328	655,011
Finance costs		(17,315)	(20,159)
Share of losses of jointly controlled entity		(1,621)	(1,616)
Share of losses of associates		(641)	(1,008)
Profit before income tax		378,751	632,228
Income tax expense	*4*	(113,643)	(196,194)
Profit for the period		265,108	436,034
Profit attributable to:			
– Equity holders of the Company		250,309	364,899
– Non-controlling interests		14,799	71,135
		265,108	436,034
Earnings per share for profit attributable to the equity holders of the Company			
– basic and diluted (expressed in RMB per share)	*5*	RMB0.38	RMB0.55
Dividends	*6*	–	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited Six months ended 30 June 2010 *RMB'000*	2009 *RMB'000* (Restated)
Profit for the period	265,108	436,034
Other comprehensive income:		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	(18,253)	(14,745)
Total comprehensive income for the period	246,855	421,289
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	232,056	350,154
– Non-controlling interests	14,799	71,135
	246,855	421,289

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2010

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
ASSETS			
Non-current assets			
Land use rights		517,976	529,264
Property, plant and equipment		926,855	902,696
Goodwill		16,534	16,534
Interest in jointly controlled entity		230,436	305,556
Investment in associates		28,736	29,378
Available-for-sale financial assets		5,340	5,340
Deferred income tax assets		32,098	31,445
		1,757,975	1,820,213
Current assets			
Inventories		154,959	108,690
Properties under development		3,071,229	2,552,347
Completed properties held for sale		288,888	369,217
Due from customers on construction contracts		1,637,156	1,581,402
Trade receivables	7	704,153	617,593
Prepayments and other receivables		1,080,747	1,011,054
Restricted bank deposits		412,447	239,756
Cash and cash equivalents		1,841,610	1,677,452
		9,191,189	8,157,511
Total assets		10,949,164	9,977,724

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		662,964	662,964
Share premium		847,295	847,295
Reserves	*8*	104,274	122,527
Retained earnings			
– Proposed dividends		–	86,185
– Others		1,905,985	1,655,676
		3,520,518	3,374,647
Non-controlling interests		80,541	104,542
Total equity		3,601,059	3,479,189
LIABILITIES			
Non-current liabilities			
Borrowings		270,000	310,000
Deferred income tax liabilities		54,773	64,072
		324,773	374,072
Current liabilities			
Trade payables	*9*	932,474	964,012
Other payables		1,154,282	849,264
Receipts in advance		1,584,325	1,376,476
Current income tax liabilities		342,287	379,267
Due to customers on construction contracts		1,172,518	1,209,734
Dividends payables		133,185	10,000
Borrowings		1,704,261	1,335,710
		7,023,332	6,124,463
Total liabilities		7,348,105	6,498,535
Total equity and liabilities		10,949,164	9,977,724
Net current assets		2,167,857	2,033,048
Total assets less current liabilities		3,925,832	3,853,261

Note:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2010 ("Interim Financial Information") has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, 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 2009, as described therein.

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

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards, which have been published and are mandatory for the financial year beginning on 1 January 2010, are relevant to the Group:

HKFRS 3 (revised): 'Business combinations'
HKAS 27 (revised): 'Consolidated and separate financial statements'
Amendments to HKAS 28, 'Investments in associates',
Amendments to HKAS 31, 'Interests in joint ventures',

The Group has adopted the above mentioned amended standards and management has considered that these amendments have no significant impact on the Interim Financial Information.

(b) Changes in accounting policies for the six months ended 30 June 2009 – comparative figures restated

The Group changed its accounting policies in respect of (i) land use rights held for development and subsequent sales, from "Leases" model to "Inventories" model, and the related capitalisation policies for borrowing costs, and (ii) investment in jointly controlled entities, from proportionate consolidation method to equity method, in the second half year of 2009. Such changes in accounting policies require retrospective application, and thus, the comparative interim financial information for the six months ended 30 June 2009 has been restated.

The effect on the condensed consolidated income statement for the six months ended 30 June 2009 is as follows:

		Six months ended 30 June 2009 *RMB'000*
(i)	Change in accounting policy for land use rights held for development and subsequent sales	
	Decrease in interest expenses	15,500
	Increase in income tax expense	3,875
	Increase in earnings per share (basic and diluted)	RMB0.02
(ii)	Change in accounting policy for investment in jointly controlled entity	
	Increase in share of losses of jointly controlled entity	1,616
	Decrease in expenses	2,163
	Increase in income tax expense	547
	Impact on earnings per share (basic and diluted)	–

The effect on the condensed consolidated cash flow statement for the six months ended 30 June 2009 is as follows:

		Six months ended 30 June 2009 *RMB'000*
(i)	Change in accounting policy for investment in jointly controlled entity	
	Increase in net cash outflow from operating activities	23,330
	Increase in net cash inflow from investing activities	15,072
	Decrease in cash and cash equivalents at beginning of period	1,765
	Decrease in cash and cash equivalents at end of period	10,023

2. SEGMENT INFORMATION

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

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

The unaudited segment information provided to executive directors for the reportable segments for the six months ended 30 June 2010 is as follows:

	Six months ended 30 June 2010				
	Construction	**Building materials**	**Property development**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	4,821,757	731,198	462,922	47,235	6,063,112
Inter-segment revenue	(355,801)	(84,581)	–	(282)	(440,664)
Revenue (from external customers)	4,465,956	646,617	462,922	46,953	5,622,448
Operating profit/(loss)	160,805	33,621	206,043	(2,141)	398,328
Depreciation	17,744	19,038	1,616	5,883	44,281
Amortisation	2,806	2,023	400	759	5,988
Impairment of receivables	560	714	–	(151)	1,123
Share of losses of jointly controlled entity	–	–	1,621	–	1,621
Share of losses of associates	–	–	641	–	641
Income tax expense	36,134	8,031	68,843	635	113,643

The unaudited segment information provided to executive directors for the reportable segments for the six months ended 30 June 2009 is 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	522,007	136	655,011
Depreciation	15,457	21,002	1,738	5,590	43,787
Amortisation	2,905	1,947	323	612	5,787
Reversal of impairment of receivables	293	(800)	(261)	60	(708)
Share of losses of jointly controlled entity	–	–	1,616	–	1,616
Share of losses of associates	–	–	1,008	–	1,008
Income tax expense	25,512	6,840	163,654	188	196,194

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

All the revenue derived from a single external customer was less than 10% of the Group's total revenue for the six months ended 30 June 2010.

3. OTHER GAINS – NET

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Government compensation	33,778	16,023
Gains on disposals of raw materials	2,852	–
Gains on debts restructuring	510	1,377
Gains on disposals of property, plant and equipment	1,282	661
Gains on disposals of investment properties	–	9,079
Fair value gains on investment properties	–	2,724
Others	2,310	(746)
	40,732	29,118

4. INCOME TAX EXPENSE

(i) Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group has no assessable profit earned in or derived from Hong Kong for the six months ended 30 June 2010 (six months ended 30 June 2009 : nil).

(ii) PRC Corporate Income Tax

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

The Company and its subsidiaries are subject to CIT at a rate of 25% (2009: 25%).

(iii) PRC Land Appreciation Tax

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

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

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Current income tax		
– PRC CIT	94,084	128,254
– PRC land appreciation tax	29,511	87,696
Deferred income taxes, net	(9,952)	(19,756)
	113,643	196,194

5. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2010	**2009**
Profit attributable to the equity holders of the Company (RMB'000)	250,309	364,899
Ordinary shares in issue during the period (thousand shares)	662,964	662,964
Basic and diluted earnings per share (RMB)	0.38	0.55

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

6. DIVIDENDS

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil). A final dividend of RMB0.13 per ordinary share for 2009, amounting to a total of RMB86,185,000, was approved at the annual general meeting of the Company held on 17 June 2010, which was paid on 13 July 2010.

7. TRADE RECEIVABLES

	30 June 2010 *RMB'000*	**31 December 2009** *RMB'000*
Trade receivables	728,806	641,123
Less: provision for doubtful debts	(24,653)	(23,530)
	704,153	617,593

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. The ageing analysis of the trade receivables is as follows:

	30 June 2010 *RMB'000*	**31 December 2009** *RMB'000*
Within 3 months	305,522	238,342
3 months to 1 year	186,850	192,043
1 to 2 years	125,965	126,983
2 to 3 years	55,508	43,443
Over 3 years	54,961	40,312
	728,806	641,123

8. RESERVES

	Assets revaluation reserve	Statutory surplus reserve	Total
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2009			
Balance as at 1 January 2009	64,671	68,175	132,846
Transfer of reserves to income statement upon sale of revaluated properties	(14,745)	–	(14,745)
Balance as at 30 June 2009	49,926	68,175	118,101
Six months ended 30 June 2010			
Balance as at 1 January 2010	42,937	79,590	122,527
Transfer of reserves to income statement upon sale of revaluated properties	(18,253)	–	(18,253)
Balance as at 30 June 2010	24,684	79,590	104,274

9. TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
Within 3 months	380,578	365,088
3 months to 1 year	319,448	332,263
1 to 2 years	88,204	131,065
2 to 3 years	80,013	67,388
Over 3 years	64,231	68,208
	932,474	964,012

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the six months ended 30 June 2010, the Group achieved a consolidated revenue of RMB5,622,448,000, representing an increase of approximately 3% from the corresponding period last year; operating profit amounted to RMB398,328,000, representing a decrease of approximately 39% from the corresponding period last year; profit attributable to the equity holders of the Company amounted to RMB250,309,000, representing a decrease of approximately 31% compared to the same period last year; earnings per share was RMB0.38, representing a decrease of approximately 31% compared to the same period last year. The decline in profitability was primarily due to the significant drop in realised properties sale units as compared to the same period last year in the property development sector. The decline in profitability in the property development sector was partially offset by the continued growth and improvement in the construction and building materials sectors against the Group's profit taken as a whole.

Revenue

	For the six months ended 30 June				
	2010		**2009**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Construction	4,465,956	79%	3,829,334	70%	+17%
Property Development	462,922	8%	1,020,389	19%	-55%
Building Materials	646,617	12%	561,555	10%	+15%
Others	46,953	1%	37,638	1%	+25%
Total	5,622,448	100%	5,448,916	100%	+3%

Operating Profit

	For the six months ended 30 June				
	2010		**2009 (Restated)**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Construction	160,805	40%	110,946	17%	+45%
Property Development	206,043	52%	522,007	80%	-61%
Building Materials	33,621	8%	21,922	3%	+53%
Others	(2,141)	–	136	–	–
Total	398,328	100%	655,011	100%	-39%

Construction Business

For the six months ended 30 June 2010, the Group's construction business achieved a revenue of RMB4,465,956,000, representing a growth of approximately 17% over the same period last year. Operating profit amounted to RMB160,805,000, representing an increase of approximately 45% compared to the same period last year.

As at 30 June 2010, the Group's total contract value under construction-in-progress amounted to RMB31,936,021,000, details of which are analysed below:

By Project Nature:

	As at 30 June				
	2010		**2009**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Government and Public Buildings	9,900,167	31%	10,320,264	38%	-4%
Urban Infrastructure	7,664,645	24%	8,690,749	32%	-12%
Residential Projects	8,303,365	26%	4,616,960	17%	+80%
Industrial Projects	6,067,844	19%	3,530,617	13%	+72%
Total	31,936,021	100%	27,158,590	100%	+18%

By Region:

	As at 30 June				
	2010		**2009**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Zhejiang Province	9,708,550	30%	8,690,749	32%	+12%
Shanghai	9,612,742	30%	8,962,335	33%	+7%
Central China Region	7,824,325	25%	5,974,890	22%	+31%
Northern China Region	3,832,323	12%	2,715,858	10%	+41%
Overseas*	958,081	3%	814,758	3%	+18%
Total	31,936,021	100%	27,158,590	100%	+18%

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

During the period, the Group has stringently complied with the rules and regulations in respect of quality, safety, environmental control, progress and cost control, and project management set forth by the relevant local governments, to provide high quality services to our customers. During the period, the Group's construction project as the general contractor of the Shanghai Jing'an Traffic Terminal, Phase I, has been completed and delivered for use before the commencement of the Shanghai Expo.

Based on the published key economic growth indicators in the first half year in China, investment remains the key driver for economic growth and will remain as the case in the future. During the period, the Group continues to benefit from the increased investments in infrastructural projects and better than expected economic recovery in China, the Group's new construction contracts value amounted to RMB5,800,000,000, registering an increase of approximately 53% over the same period last year (2009 period: RMB3,800,000,000). Based on the analysis by region, contributions from outside Zhejiang Province reached 70% upon accelerating the development of regional operating units and seeping into the market in Xinjiang which provides inroads to the broader base of Western China construction markets laid down by the country's development policies in that region.

During the period, the Group's new overseas construction contracts value amounted to approximately RMB210,000,000, projects-under-construction approximated to RMB958,000,000. The Group expects that overseas construction business will attain healthy and steady growth.

Property Development Business

For the six months ended 30 June 2010, the revenue of the Group's property development business amounted to RMB462,922,000 (revenue before deductions of sales tax and related levies was RMB521,054,000), representing a decrease of approximately 55% from the same period last year. The Group's property development business contributed an operating profit of RMB206,043,000, representing a decrease of approximately 61% compared to the same period last year.

During the period, impacted by the austerity macroeconomic control measures, the demand for new housing has been temporarily stalled and the consumers' "wait and see" attitude are increasingly stronger. At the same time, the Group has only realised properties sale units of City Green Garden in Hefei and some units of Shanghai Jing'an Ziyuan, which resulted in the significant decline of both the revenue and operating profit for the property development business, compared to the same period last year.

During the period, City Green Garden in Hefei has recorded sold units with approximately 68,400 square metres, registering a total revenue of approximately RMB312,300,000 with an average selling price per square metre of RMB4,600; Jing'an Ziyuan in Shanghai has recorded sold units with approximately 3,020 square metres, registering a total revenue of approximately RMB135,500,000 with an average selling price per square metre of RMB39,100, RMB29,100, and RMB52,700 of the residential, office and commercial units respectively. Sale of the commercial units carried forward from prior years has recorded revenue of approximately RMB15,122,000.

Projects under development

As at 30 June 2010, 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%
Daban Fengqing Phase II	Shaoxing	150,000	100%
Yuyuan	Shaoxing	89,000	49%
Yangxun Commercial Center	Shaoxing	36,000	100%
City Green Garden Phase III	Hefei	100,000	100%
Baoye Tongcheng Green Garden Phase I	Hefei	100,000	100%
Baoye Tongcheng Green Garden Phase II	Hefei	63,000	100%
Baoye Dongcheng Square	Hefei	228,500	100%
Baoye Moon Lake Garden	Hubei Jingmen	82,000	100%
Baoye Xudong Yayuan	Wuhan	31,000	100%
Zhongfangcheng Project	Hangzhou Xiaoshan	64,000	100%

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a "province-rank" resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient 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, whilst far from the dust, 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 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 been commenced and the pre-sale of 45 villas of about 25,000 square metres has begun in mid-August 2010. As at the date of this announcement, a total of 32 villas have been pre-sold.

Daban Fengqing is located in Keqiao, Shaoxing County, having a total site area of approximately 100,000 square metres for the development of a residential area of 280,000 square metres. The land is in the development zone of "dual lake" district, alongside the future central business district of Keqiao, 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. As at 30 June 2010, a total of approximately 100,000 square metres have been pre-sold. Daban Fengqing Phase II has a total gross floor area of 150,000 square metres, the construction of the project has been commenced and its pre-sale is expected to commence in the second half year of 2010.

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 company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 3900), jointly acquired it and is co-developing it into a high-end property project in which the Group is interested in 49%. The land area is within the Kuaijishan Tourist Resort Zone, 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. Yuyuan Phase I has a total of 27 deluxe villas, all of which have been sold out, and the Yuyuan Phase II has a total of 29 French-style villas which have been arranged for pre-sale in mid-August 2010. As at the date of this announcement, a total of 3 villas have been pre-sold.

Yangxun Commercial Center, located in the center of Yangxunqiao Township, Shaoxing County, has a site area of approximately 10,000 square metres with 3.68 times plot ratio and an estimated gross floor area of 36,000 square metres. This project consists of residential, commercial units and agricultural trading complex. The construction for the project has started in May 2010 and the pre-sale is expected to begin in the second half of 2010.

City Green Garden is located in Yaohai District, a prime developing zone in Hefei City, Anhui, with convenient transportation. It comprises mainly high-end properties with a portion of retail shops and offices. City Green Garden Phase II has a total gross floor area of approximately 170,000 square metres and was recognized in the previous financial years and this period. City Green Garden Phase III has a total gross floor area of approximately 100,000 square metres of which 80% has been pre-sold as at 30 June 2010.

Baoye Tongcheng Green Garden is located in Baohe District of Hefei, Anhui, with a land area of 58,570 square metres and 2.8 times plot ratio for the development of a residential area of 163,000 square metres. This property comprises of 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 located in a superb area, near the University of Chinese Science and Technology, supported by full community services in Hefei. Baoye Tongcheng Green Garden Phase I has a total gross floor area of 100,000 square metres, all of which were sold out. Baoye Tongcheng Green Garden Phase II has a total gross floor area of 63,000 square metres, the pre-sale of which has commenced during the period with satisfactory results.

Baoye Dongcheng Square is located in Changjiang East Road, the business center in Hefei, with convenient transportation and full community services. The project has a land area of 63,500 square metres with a gross floor area of 228,500 square metres, consisting of residential, commercial units and offices. It is aimed to develop as the landmark in Dongmen, Hefei. The construction will commence in the second half of 2010.

Baoye Moon Lake Garden is located in Dongcheng District, Jingmen, Hubei, with well-developed community facilities and convenient transportation, having a 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 of 22 buildings, 13 of which are high-rise buildings, 9 of which are low-rise buildings. The buildings alongside Yuelianghu Road are developed as commercial-residential units. The pre-sale has started in November 2009. As at 30 June 2010, 90% of the sale units have been pre-sold.

Baoye Xudong Yayuan is located in Xudong Road Wuchang District, Wuhan, a prime developing zone with adequate and well-developed facilities and convenient transportation, having a land area of 21,000 square metres for the development of small dwelling-size properties of 31,000 square metres. This project is a low-density community which is uncommon in downtown areas. The core construction has been completed in May 2010. Pre-sale has started on 1 August 2010, and more than 50% of the total sale units have been sold out on the day the pre-sale commenced. As at the date of this announcement, 70% of total sale units have been pre-sold.

The Zhongfangcheng project located at Xiaoshan District, Hangzhou, having a total land area of approximately 50,000 square metres and a total gross floor area of approximately 64,000 square metres, is facing the China Textile City with good and convenient transportation and community facilities. The project will be developed into a combination of low carbon and green environment multi-storey building and townhouse residential properties.

Land Reserve

During the period, adopting the Group's development strategy, the Group acquired two land projects by public tender. The aggregate land areas amount to approximately 101,370 square metres and the aggregate gross floor areas amount to approximately 277,500 square metres, details of which are set out below:

Item	Date	Location	Project Name	Total Land Cost *(RMB'000)*	Total Land Area *(square metres)*	Estimated Gross Floor Area *(square metres)*	Equity Interest of the Group	Note
1	January 2010	Hefei	Baoye Dongcheng Square	477,000	63,500	228,500	100%	Residential and Commercial
2	May 2010	Shaoxing	Yangxunqiao Linjiang Project	155,700	37,870	49,000	100%	Residential

During the period, in view of the austerity macroeconomic control measures that have eroded the real estate markets and have essentially presented immense uncertainties in the market place, the Group has sufficient land reserve for property development in the coming three to five years, the Group will endeavor and continue to adopt its prudent policy to acquire land use rights at reasonable prices in the areas where the Group is familiar with.

Building Materials Business

For the six months ended 30 June 2010, the revenue of the Group's building materials business was RMB646,617,000, up approximately 15% over the same period last year; operating profit was RMB33,621,000, representing an increase of approximately 53% over the same period last year.

For the six months ended 30 June 2010, the revenue breakdown of the Group's building materials is analysed below:

	For the six months ended 30 June		
	2010	**2009**	
	RMB'000	*RMB'000*	*Change*
Ready-mixed concrete	145,355	129,158	+13%
Curtain wall	216,551	179,698	+21%
Wood products and interior decoration	171,266	146,004	+17%
Steel structure	65,145	73,002	-11%
Concrete pipes	30,951	22,462	+38%
Fireproof materials	12,020	5,615	+114%
Others	5,329	5,616	-5%
Total	646,617	561,555	+15%

During the period, buoyed by the steady development of property development and government's initiative in infrastructural construction, the revenue of the Group's building materials business saw a corresponding increase. Significant increase in profit contribution was primarily attributed to the steady growth from ready-mixed concrete and concrete pipes, rapid profit increase from curtain wall and fireproof materials and the elimination of low margin products.

With respect to technology research and development, the "Development and Application of Nanometer Light Catalysed Concrete" research project, the core science and technology research project of Zhejiang Province, undertaken by the Group, Zhejiang University and Zhejiang Industrial University, has passed the certification examination. Under China's policies in energy saving and environment protection, the Nanometer Light Catalysed Concrete, a new environmental friendly construction material, can help the transformation and upgrading of traditional concrete construction material industry efficiently, which would offer a bright market potential. At the same time, Baoye Construction has compiled the "Construction Gate-type Steel Pipe Scaffolding Safety Skill Manual", which has attained the industrial standards set forth by the Ministry of Housing and Urban-Rural Development, meaning that the Company's research and development and technology innovation have evolved into a new stage.

Besides, taking the Ministry of Housing and Urban-Rural Development's subject for the study of China's 100 years construction evaluation index system and through more than a decade of development in industrialization of housing, three aspects in application have been achieved: First, serving the traditional construction industry; second, improving the quality of traditional housing; and third, developing and building low carbon industrialised residential housing, heading towards a low carbon economy. Since July 2010, the Baoye Construction Research Institute has been accredited as a "High-Tech Company".

Business Prospect

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

  The Group will continue to adopt the expansion strategy of "going out of Zhejiang and Yangtze River Delta, and replicating the whole nation" leveraged by the advantages and core competencies that are brought by the Group's "three-in-one" business model. The Group will explore new markets entrance while consolidating its leading market position in Zhejiang, Shanghai, Central China and Northern China etc, and continue the development of regional operating centers under the localised management.

  The Group will adopt the principle of "brand building by technology enhancement" to gain market share and recognition. Simultaneously, reaping the opportunity of the China's increased investment in infrastructural construction investments, the Group will endeavour to capture a higher market share for its construction business in the high-end construction project areas of roads, bridges and airports.

  As at 30 June 2010, the Group's total construction order backlog value plus new construction contracts was valued at approximately RMB29.4 billion (as at 30 June 2009: RMB21.3 billion), which will provide a solid and steady growth for the construction business in the next 3 years.

- ***Property development business is a support for the Group's business development, contributing substantial profits***

  During the period, impacted by the austerity macroeconomic control measures, the real estate market turned from "sunny to cloudy days". Although the real estate market cooled down slightly, the demand for improved quality living remains strong. We believe that the macroeconomic control measures will bring short term adjustments to the real estate market, but in the long term, China's real estate industry remains at its growing phase, with the expected increase in urbanisation process, the increase in mobility of population and improvement in national income, China's real estate industry would offer a great development potential.

  The Group will take into consideration the changes in market needs in adjusting its development strategy, based on the current residential housing development projects, by fast-tracking the speed for the development of existing land reserve projects, to increase the saleable areas and prepare for the Group to take an advantageous position in the competitive market in the next two years. At the same time, leveraging on the Group's abundant cash flow, prudent financial position and low land cost, the Group will continue to assume a prudent but proactive role in expanding its business and will seek acquisition targets or cooperative projects in project development and land acquisition, aiming to provide satisfactory returns to shareholders.

  As at 30 June 2010, the pre-sold units not yet being recognised as revenue in the property development business relates to a gross floor area of 300,000 square metres, which will be accounted for and recognised in this year or next year and which is expected to contribute a substantial profit to the Group.

- ***Building materials business is an important strategy to sustain continuous growth for the Group***

  During the period, the Group's Shaoxing Building Materials Industrial Park has increased an additional automated production line occupying approximately 40,000 square metres. The annual planned production capacity is expected to produce 500 industrialised residential buildings, equivalent to approximately 150,000 square metres' green and low carbon residential units.

  The provision of affordable housing would provide tremendous business opportunity for the industrialization of residential housing. Because the demand for affordable housing would call for sizeable development and prompt progress, standardisation of structure and parts, and higher green and energy saving, all of which is closely in line with the distinct features of the industrialisation of residential housing. The Group will actively participate in the development and construction of affordable housing, leveraging on the advantages of housing industrialisation technologies.

  The development of industrialised residential housing as compared to traditional housing still is still experiencing various development bottle necks and presents a major hurdle for the development of industrialisation of residential housing in China. The Group believes that industrialization of residential housing will become a major development in the construction industry in China in the future and will continue to develop it according to its established plan.

  As one of the leading construction conglomerates in this industry, Baoye will continue to adopt the "three-in-one" business model in construction, building materials and property development business and to build, among other things, core competencies and competitive advantages. Baoye will use its niche position in construction business to drive the businesses of building materials and property development and by improvement in product quality and technology advancement in industrialisation of construction, thereby enhancing the brand value and the Company's value from time to time.

FINANCIAL REVIEW

Treasury Policies

The Group has adopted a prudent financial policy 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 center, which centralises funding for all 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 maintained the AAA credit rating by credit rating institutions recognized by the People's Bank of China in 2010. 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 banks. During the period, the Group maintained most of its borrowings on an unsecured basis. The amount of secured debt accounted for 23% of the total borrowings. In addition, approximately 21% of the total borrowings were jointly guaranteed by the Chairman of the Board, Mr. Pang Baogen and the Company. 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 has unutilized banking facilities amounting to approximately RMB2.8 billion as at 30 June 2010. The Group maintains a very strong financial position and sufficient financial resources to meet its future expansion and development. Details of the financial ratios are analysed below:

	As at 30 June	
	2010	**2009**
	RMB'000	*RMB'000*
		(Restated)
Cash and cash equivalents	1,841,610	1,258,602
Restricted bank deposits	412,447	621,376
Less: total borrowings	(1,974,261)	(2,701,600)
Net cash/(borrowings)	279,796	(821,622)
Total equity attributable to the Company's equity holders	3,520,518	3,244,296
Net cash/gearing ratio	7.9%	25.3%

Key Financial Ratios

	As at 30 June	
	2010	**2009**
		(Restated)
Return on equity	7.1%	11.2%
Net assets value per share (RMB)	5.31	4.89
Net cash ratio	7.9%	–
Net gearing ratio	–	25.3%
Current ratio	1.31	1.28

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

During the period, profit attributable to the equity holders of the Company amounted to RMB250,309,000, representing a decrease compared to the same period last year due to the decrease of revenue derived from property development, so as the return on equity. Because profit for the period was substantial, net assets value per share saw a commendable growth. As at 30 June 2010, the Group was in a net cash position with a net cash ratio of 7.9% compared to the net gearing ration of 25.3% for the same period of 2009. The strong financial position was mainly attributable to satisfactory pre-sale results as well as decrease of bank borrowings balance compared to that of the same period in 2009. During the period, the real current ratio should have been better than 1.31 as the sales receipts from pre-sale properties were accounted for as "receipts in advance" under current liabilities. These receipts in advance constituted a greater portion of total current liabilities but repayment of these advances does not exist.

Cash Flow Analysis

		As at 30 June	
		2010	**2009**
	Note	*RMB'000*	*RMB'000* (Restated)
Net cash outflow from operating activities	*(i)*	(223,480)	(295,846)
Net cash inflow from investing activities	*(ii)*	60,887	16,699
Net cash inflow from financing activities	*(iii)*	326,751	176,579
Increase/(decrease) in cash and cash equivalents		164,158	(102,568)

Note:

(i) During the period, the net cash outflow from operating activities was RMB223,480,000 for payment of land use right of Hefei Dongcheng Square of RMB334,600,000, a decrease of RMB72,366,000 compared to the same period of 2009, net cash outflow of RMB295,846,000, which was primarily attributable to the satisfactory pre-sale of property units resulting from Daba Fengqing, Baoye Tongcheng Green Garden and Baoye Moon Lake Garden.

(ii) During the period, the net cash inflow from investing activities was RMB60,887,000, an increase of RMB44,188,000 compared to the same period of 2009, net cash inflow of RMB16,699,000, which was primarily attributable to the interest income and disposal of fixed asset for RMB31,037,000 and RMB9,138,000 respectively.

(iii) During the period, the net cash inflow from financing activities was RMB326,751,000, an increase of RMB150,172,000 compared to the same period of 2009, of which the net cash inflow was RMB176,579,000. The increase was primarily attributable to the increased new bank borrowings were higher than that of the same period in 2009.

Land Appreciation Tax

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, 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 2010, the Group's aggregate land appreciation tax reserve amounted to approximately RMB29,510,000. Besides, the Group is an integrated enterprise with construction, property development and building materials as its three main businesses. Therefore, the financial impact resulting from the tax pronouncement towards the Group's operating results would be minimal.

Administrative Expense

The Group's administrative expense increased from RMB129,549,000 in the six months ended 30 June 2009 to RMB 143,465,000 in the six months ended 30 June 2010, a moderate increase of RMB13,916,000, or 11% compared to the same period last year. Followed by the business expansion, administrative expenses during the period had also increased, mainly due to the increase of employees' salaries and benefits.

Financial Expenses

During the period, financial expenses of RMB17,315,000 are mainly interest expense attributable to bank borrowings, a decrease of RMB2,844,000 compared to the same period last year of RMB20,159,000, primarily due to the decrease in bank borrowings balance. The weighted average effective annual interest rates of the Group reduced from 4.65% of the same period last year to 4.38% for the period under review.

External Guarantee and Fulfillment

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Guarantees given to banks in respect of mortgage facilities granted to third parties	304,220	146,091

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 2010, land use rights, buildings and properties under development at a total value of approximately RMB1,269,369,000 (as at 31 December 2009: RMB1,016,859,000) were pledged to banks as security in securing short-term bank borrowings.

Capital Expenditure Plan

The Group adopts a prudent approach in capital expenditure spending to secure our cash resources at safety level. As at 30 June 2010, there is no major capital expenditure plan in the Group. However, we will pay close attention to the market changes and the Group development demands, increasing the investment in acquisition of land and relevant business at appropriate timing with reasonable cost.

Fluctuation 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 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 financial results of the Group.

Dividends

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2010.

Connected Transactions

During the period under review, the Group had no connected transaction required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 2010.

Human Resources

As at 30 June 2010, the Group had a total of approximately 3,748 permanent employees (30 June 2009: 3,710). There are approximately 61,230 indirectly employed construction site workers (30 June 2009: 59,100). These workers are not directly employed by the Group. For the six months ended 30 June 2010, total staff cost amounted to RMB751,799,000 (the same period in 2009: RMB730,291,000). Remuneration is determined by reference to market rates as well as the performance, qualifications and experience of individual employee. 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, employee benefits provided by the Group include pension and medical insurance coverage. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Board is currently working on devising and implementing a more effective employee incentive plan.

Code on Corporate Governance Practices

In the opinion of the Board, the Group has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2010, except that the role of chief executive officer of the Group has been assumed by Mr. Pang Baogen, the chairman of the Board.

Three general managers have been appointed to overseeing and managing 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 new policies efficiently. Therefore, the Board endorsed the position of chief executive officer being 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 Listed 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 the 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 2010.

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 and all three members attended the meeting. The audit committee has discussed the accounting policies as well as critical accounting estimates and assumptions with the management. 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 2010 had been reviewed by the audit committee before submission to the Board for adoption and approval.

Publication of Interim Report

The full text of the Company's 2010 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, intermediaries and employees of the Company for their continuous patronage and support.

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

Zhejiang, the People's Republic of China
27 August 2010

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. Wang Youqing.