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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 2011

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 2011 prepared in accordance with the Hong Kong Financial Reporting Standards, together with comparative figures for the corresponding period in 2010. 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 2011 Interim Report.

* *for identification purpose only*

INTERIM CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2011	**2010**
	Note	*RMB'000*	*RMB'000*
Revenue	2	7,405,059	5,622,448
Cost of sales		(6,546,782)	(5,142,045)
Gross profit		858,277	480,403
Other income		23,421	31,037
Other gains – net		4,538	40,732
Selling and marketing costs		(17,720)	(10,379)
Administrative expenses		(157,059)	(143,465)
Operating profit		711,457	398,328
Finance costs		(10,155)	(17,315)
Share of losses of jointly controlled entity		(1,308)	(1,621)
Share of losses of associates		(507)	(641)
Profit before income tax		699,487	378,751
Income tax expense	3	(258,321)	(113,643)
Profit for the period		441,166	265,108
Profit attributable to:			
– Owners of the Company		437,797	250,309
– Non-controlling interests		3,369	14,799
		441,166	265,108
Earnings per share for profit attributable to the owners of the Company			
– basic and diluted (expressed in RMB per share)	4	RMB0.66	RMB0.38
Dividends	5	–	–

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2011 *RMB'000*	2010 *RMB'000*
Profit for the period	441,166	265,108
Other comprehensive income:		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	(1,890)	(18,253)
Change in fair value of available-for-sale financial assets, net of tax	62	–
Other comprehensive income for the period, net of tax	(1,828)	(18,253)
Total comprehensive income for the period	439,338	246,855
Total comprehensive income for the period attributable to:		
– Owners of the Company	435,969	232,056
– Non-controlling interests	3,369	14,799
	439,338	246,855

INTERIM CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Land use rights		549,452	556,193
Property, plant and equipment		923,895	912,660
Goodwill		16,534	16,534
Investment in jointly controlled entity		35,428	36,735
Loans to jointly controlled entity		53,286	103,187
Investment in associates		2,048	2,555
Available-for-sale financial assets		12,931	12,849
Deferred income tax assets		32,782	29,353
		1,626,356	1,670,066
Current assets			
Inventories		141,974	106,648
Properties under development		3,265,015	3,202,726
Completed properties held for sale		628,255	575,855
Due from customers on construction contracts		1,650,608	1,494,272
Trade receivables	*6*	791,849	700,404
Prepayments and other receivables		1,376,379	1,160,172
Restricted bank deposits		130,371	101,269
Cash and cash equivalents		2,005,933	1,947,888
		9,990,384	9,289,234
Total assets		11,616,740	10,959,300

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		662,964	662,964
Share premium		847,295	847,295
Reserves	7	99,043	100,871
Retained earnings			
– Proposed dividends		–	106,074
– Others		2,493,874	2,056,077
		4,103,176	3,773,281
Non-controlling interests		57,616	56,197
Total equity		4,160,792	3,829,478
LIABILITIES			
Non-current liabilities			
Borrowings		70,000	70,000
Deferred income tax liabilities		45,377	46,975
		115,377	116,975
Current liabilities			
Trade payables	8	1,285,654	1,177,108
Other payables		1,038,982	1,095,548
Receipts in advance		2,829,753	2,706,300
Current income tax liabilities		485,999	463,368
Due to customers on construction contracts		1,127,659	1,065,192
Dividends payables		106,074	10,168
Borrowings		466,450	495,163
		7,340,571	7,012,847
Total liabilities		7,455,948	7,129,822
Total equity and liabilities		11,616,740	10,959,300
Net current assets		2,649,813	2,276,387
Total assets less current liabilities		4,276,169	3,946,453

Note:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 30 June 2011 (the "Interim Financial Information") of the Group has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountant.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, 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 standard, amendment to standard, which are mandatory for the financial year beginning on 1 January 2011, are relevant to the Group:

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. Other than an introduction of an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government, this standard also clarifies and simplifies the definition of a related party. The changes have no material impact on the Group's Interim Financial Information.

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures. The Group has applied this amendment from 1 January 2011.

2. SEGMENT INFORMATION

The executive directors (chief operating decision-maker) assess the performance of the operating segments based on a measurement of operating profit. This measurement basis excludes financial costs and share of results of associates and 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 condensed consolidated income statement and the condensed consolidated statement of comprehensive income.

The unaudited segment information provided to executive directors for the reportable segments for the six months ended 30 June 2011 is as follows:

	Six months ended 30 June 2011				
	Construction	**Property development**	**Building materials**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	5,824,725	1,106,695	770,674	82,620	7,784,714
Inter-segment revenue	(271,481)	–	(101,558)	(6,616)	(379,655)
Revenue (from external customers)	5,553,244	1,106,695	669,116	76,004	7,405,059
Operating profit	170,713	500,642	34,415	5,687	711,457
Depreciation	17,223	1,450	22,873	6,907	48,453
Amortisation	3,138	–	2,566	1,037	6,741
Impairment of receivables	(626)	–	1,405	(268)	511
Share of losses of jointly controlled entity	–	1,308	–	–	1,308
Share of losses of associates	–	507	–	–	507
Income tax expense	39,418	205,036	11,102	2,765	258,321

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	**Property development**	**Building materials**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	4,821,757	462,922	731,198	47,235	6,063,112
Inter-segment revenue	(355,801)	–	(84,581)	(282)	(440,664)
Revenue (from external customers)	4,465,956	462,922	646,617	46,953	5,622,448
Operating profit/(loss)	160,805	206,043	33,621	(2,141)	398,328
Depreciation	17,744	1,616	19,038	5,883	44,281
Amortisation	2,806	400	2,023	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	68,843	8,031	635	113,643

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

All revenue derived from a single external customer was less than 10% of the Group's total revenue for the six months ended 30 June 2011.

3. 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 2011 (six months ended 30 June 2010: 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% (2010: 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 consolidated income statement represents:

	Six months ended 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
Current income tax		
– PRC CIT	152,564	94,084
– PRC land appreciation tax	110,804	29,511
Deferred income taxes, net	(5,047)	(9,952)
	258,321	113,643

4. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	**2010**
Profit attributable to the owners of the Company (RMB'000)	437,797	250,309
Ordinary shares in issue during the period (thousand shares)	662,964	662,964
Basic and diluted earnings per share (RMB)	0.66	0.38

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

5. DIVIDENDS

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil). The final dividend of RMB0.16 per ordinary share for 2010, amounting to total dividend of RMB106,074,000, approved at the annual general meeting of the Company on 13 June 2011, was paid on 8 July 2011.

6. TRADE RECEIVABLES

	30 June 2011 *RMB'000*	**31 December 2010** *RMB'000*
Trade receivables	817,025	725,069
Less: provision for doubtful debts	(25,176)	(24,665)
	791,849	700,404

Customers, in general, are being granted credit terms of 1 to 3 months for construction business and 1 to 12 months for building materials business. No credit terms are granted to customers for property development business. The ageing analysis of the trade receivables is as follows:

	30 June 2011 *RMB'000*	**31 December 2010** *RMB'000*
Within 3 months	304,525	373,206
3 months to 1 year	298,374	159,149
1 to 2 years	81,117	78,624
2 to 3 years	77,257	62,310
Over 3 years	55,752	51,780
	817,025	725,069

7. RESERVES

	Assets revaluation reserve *RMB'000*	Available-for-sale financial assets reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Others *RMB'000*	Total *RMB'000*
Six months ended 30 June 2010					
Balance as at 1 January 2010	42,937	–	79,590	–	122,527
Transfer of reserves to income statement upon sale of revalued properties	(18,253)	–	–	–	(18,253)
Balance as at 30 June 2010	24,684	–	79,590	–	104,274
Six months ended 30 June 2011					
Balance as at 1 January 2011	9,336	4,132	100,990	(13,587)	100,871
Transfer of reserves to income statement upon sale of revalued properties	(1,890)	–	–	–	(1,890)
Revaluation of available-for-sale financial assets	–	82	–	–	82
Revaluation – tax	–	(20)	–	–	(20)
Balance as at 30 June 2011	7,446	4,194	100,990	(13,587)	99,043

8. TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Within 3 months	514,325	562,819
3 months to 1 year	474,223	361,712
1 to 2 years	127,478	96,539
2 to 3 years	61,291	56,550
Over 3 years	108,337	99,488
	1,285,654	1,177,108

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the six months ended 30 June 2011, the Group achieved a consolidated revenue of RMB7,405,059,000, representing an increase of approximately 32% from the corresponding period last year; operating profit amounted to RMB711,457,000, representing a significant increase of approximately 79% from the corresponding period last year; profit attributable to the owners of the Company amounted to RMB437,797,000, representing a significant increase of approximately 75% compared to the same period last year; earnings per share was RMB0.66, representing an increase of approximately 74% compared to the same period last year. The significant increase in operating profit was largely attributable to the significant increase in revenue and operating profit from the property development business as compared to the same period last year.

Revenue

	For the six months ended 30 June				
	2011		**2010**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Construction	5,553,244	75%	4,465,956	79%	24%
Property Development	1,106,695	15%	462,922	8%	139%
Building Materials	669,116	9%	646,617	12%	3%
Others	76,004	1%	46,953	1%	62%
Total	7,405,059	100%	5,622,448	100%	32%

Operating Profit

	For the six months ended 30 June				
	2011		**2010**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Construction	170,713	24%	160,805	40%	6%
Property Development	500,642	70%	206,043	52%	143%
Building Materials	34,415	5%	33,621	8%	2%
Others	5,687	1%	(2,141)	0%	N/A
Total	711,457	100%	398,328	100%	79%

Construction Business

For the six months ended 30 June 2011, the Group's construction business achieved a revenue of RMB5,553,244,000, representing a growth of approximately 24% over the same period last year. Operating profit amounted to RMB170,713,000, representing an increase of approximately 6% over the same period last year.

As at 30 June 2011, the Group's total contract value under construction-in-progress amounted to RMB37,500,043,000, representing an increase of approximately 17% over the same period last year. The total contract value for the Group's construction-in-progress is analysed below:

By project nature:

	As at 30 June				
	2011		**2010**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Government and Public Buildings	12,375,014	33%	9,900,167	31%	25%
Urban Infrastructure	10,125,012	27%	7,664,645	24%	32%
Residential Projects	8,625,010	23%	8,303,365	26%	4%
Industrial Projects	6,375,007	17%	6,067,844	19%	5%
Total	37,500,043	100%	31,936,021	100%	17%

By region:

	As at 30 June				
	2011		**2010**		
	RMB'000	*% of total*	*RMB'000*	*% of total*	*Change*
Zhejiang Province	12,750,015	34%	11,177,607	35%	14%
Shanghai	10,125,012	27%	7,984,005	25%	27%
Other Eastern China Region	2,925,003	8%	2,554,882	8%	14%
Central China Region	6,000,007	16%	5,429,124	17%	11%
Northern China Region	3,525,004	9%	3,193,602	10%	10%
Other Regions	1,125,001	3%	638,720	2%	76%
Overseas*	1,050,001	3%	958,081	3%	10%
Total	37,500,043	100%	31,936,021	100%	17%

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

The Group's construction business has principally realised its strategic expansion plans on "going out of Zhejiang and Yangtze River Delta, and replicating the whole of nation", through expansion and development of new markets, with approximately 66% of the Group's construction business outside the Zhejiang Province today. The Chinese government has, once again, included in its "Twelfth Five-Year-Plan" in fostering deeper and substantial development in Western China after a rapid development in the same region in the past ten years. Simultaneously, riding on the cross-geographical development in Xinjiang Region, a large number of infrastructural and livelihood related construction projects have been underway, which offers tremendous growth opportunities for the development of construction enterprises. The Group has seized this opportunity and has entered into the construction market in Xinjiang Region as early as in 2010. During the period, the Group has entered into two new construction markets, namely, Shanxi and Guangdong Provinces.

The Group's construction reputation is well perceived by the market of its superior project management skills and capability, and excellent construction quality, with priority projects such as government and public buildings, urban infrastructure and high-end properties as its core clients. During the period, the Group had secured new construction contract value amounting to approximately RMB8,000,000,000 (corresponding period of 2010: RMB5,800,000,000), representing an increase of approximately 38% compared to the same period last year, which includes a large number of high-end projects such as Shangrao Stadium, Yinzhou Sewage Treatment Plant, Wenzhou Finance and Tax Office Building, and Forte Taiyuan Banshanjun. The Group's overseas construction business has maintained its steady growth by adopting proactive but prudent approach.

Property Development Business

Property Sales

For the six months ended 30 June 2011, the revenue of the Group's property development business amounted to RMB1,106,695,000 (revenue before deductions of sales tax and related levies was RMB1,275,590,000), representing an increase of approximately 139% from the same period last year. Operating profit amounted to RMB500,642,000, representing a significant increase of approximately 143% compared to the same period last year.

During the period, the substantial increase in revenue and operating profit of the Group's property development business was primarily attributable to significant increase in sold floor areas compared to the same period last year, details of which are tabulated below:

Project	**Location**	**Average Selling Price** *(RMB/Sqm)*	**Floor Areas Sold** *(Sqm)*	**Revenue** *(RMB'000)*
Baoye Tongcheng Green Garden	Hefei	5,558	105,134	584,348
Baoye Four Seasons Garden	Shaoxing	31,744	15,579	494,536

Baoye Four Seasons Garden Phase I the Lian Garden, the Group's premier project, started the pre-sale in August 2010 and 15,579 square metres soon has been speedily sold out, which has been delivered and accounted for in revenue during the period, realising RMB494,536,000 in revenue.

Projects under Development

As at 30 June 2011, the projects under development of the Group are tabulated below:

Project Name	Location	Estimated Gross Floor Areas *(Sqm)*	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	510,000	100%
Daban Fengqing	Shaoxing	280,000	100%
Yuyuan	Shaoxing	89,000	49%
Yangxun Commercial Centre	Shaoxing	36,000	100%
Jiangwan Green Garden	Shaoxing	49,000	100%
City Green Garden Phase IV	Hefei	100,000	100%
Baoye Dongcheng Square	Hefei	228,500	100%
Baoye Xudong Yayuan	Wuhan	31,000	100%
Jiangwan Luyuan	Hangzhou	67,000	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 civilisation flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from downtown of Shaoxing City, it is known as the "natural treasure in the heart of a city". Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres with 0.5 time plot ratio and a planned gross floor area of approximately 525,000 square metres for the development of deluxe villas, semi-detached villas, 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 Liu Garden of Baoye Four Seasons Garden Phase I have been completely sold out, and the Ming Garden and Xi Garden of Phase II will commence its pre-sale in the second half of 2011.

Daban Fengqing is located in Keqiao, Shaoxing County, having a total site area of approximately 100,000 square metres and an estimated gross floor area of 280,000 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, served by well-developed community facilities. The project is positioned as a premier residential property in Keqiao, Shaoxing County and has been developed in two phases. Daban Fengqing Phase I with an area of approximately 130,000 square metres has been completely sold out and will be delivered to purchasers in October 2011 while Daban Fengqing Phase II, with an area of approximately 150,000 square metres, is under pre-sale, and approximately 70% of which has been pre-sold. It is expected that the sale units will be delivered to purchasers in 2012.

Yuyuan, located at No.1 Yangming Road, Shaoxing City, having a total site area of approximately 180,000 square metres and an estimated gross floor area of 89,000 square metres. The Group and Greentown China Holdings Limited, a listed company on The Stock Exchange of Hong Kong Limited (stock code: 3900), jointly acquired the land and developed it into a high-end property project in which the Group is interested in 49%. The land area is within the resort district of Kuaijishan Tourist Resort Zone, a prime location in Shaoxing City and is of close proximity to the Group's golf club and Baoye Four Seasons Garden. Yuyuan has been developed as a low density deluxe villa project. It is expected that 27 sale-units of Phase I will be delivered to purchasers in September 2011 and the remaining four phases are currently under development.

Yangxun Commercial Centre, located in the centre 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 approximately 36,000 square metres. This project consists of residential, commercial units and agricultural products market complex. The project has been entirely sold out and is expected to be delivered to purchasers in 2012.

Jiangwan Green Garden is located in Yangxunqiao, Shaoxing County, with a total site area of approximately 37,870 square metres and an estimated gross floor area of approximately 49,000 square metres. The project consists of high-rise residential buildings, villas, town houses and some commercial units with beautiful scenery and convenient transportation. The project is currently under construction and is expected to be ready for pre-sale in the first half of 2012.

City Green Garden is located in Yaohai District, a prime developing zone in Hefei City, Anhui, with convenient transportation. It comprises high-end properties with a portion of commercial units and offices. City Green Garden has a total gross floor area of approximately 520,000 square metres, developed in four phases, of which Phase I, Phase II and Phase III have been completed and accounted for as revenue in the past few years. City Green Garden Phase IV, with an estimated gross floor area of approximately 100,000 square metres, is currently under development and is expected to be ready for pre-sale in the second half of 2011.

Baoye Dongcheng Square is located in Changjiang East Road, the business centre in Hefei, with convenient transportation and full community services. The project has a site area of approximately 63,500 square metres with an estimated gross floor area of approximately 228,500 square metres. It is a city complex development project comprising residential units, commercial units and offices. It is aimed to be developed as the landmark and commercial centre at Dongmen, east of Hefei. The project is expected to be ready for pre-sale in the second half of 2011.

Baoye Xudong Yayuan is located in Xudong Road, Wuchang District, Wuhan, with well-developed facilities and convenient transportation, having a total site area of approximately 21,000 square metres and 2.8 times plot ratio for development of small dwelling-size properties of approximately 31,000 square metres. This project is positioned as a low-density living community which is uncommon in downtown areas. As at the date of this announcement, the project has been entirely sold out and will be delivered to purchasers in September 2011.

Jiangwan Luyuan is located in Xiaoshan District, Hangzhou, having a total site area of approximately 50,000 square metres and a total gross floor area of approximately 67,000 square metres, facing the China Textile City with good location and convenient transportation and community facilities. The project will be developed into a low-carbon, green and environmental-friendly residential community with low-rise residential buildings and town houses. At present, the planning work is progressing on well and is expected to be ready for pre-sale in the first half of 2012.

Newly Acquired Land Reserves

On 30 June 2011, the Group had successfully bid for a parcel of residential land use rights at a consideration of RMB602,000,000, which is located in the East Lake High-tech Development Zone in Wuhan. The land has a total site area of approximately 100,000 square metres with 2.3 times plot ratio and an estimated gross floor area of approximately 230,000 square metres. The Group holds 100% interest of the project.

Building Materials Business

For the six months ended 30 June 2011, the revenue of the Group's building materials business was RMB669,116,000, representing an increase of approximately 3% over the same period last year; operating profit was RMB34,415,000, representing an increase of approximately 2% over the same period last year.

The revenue breakdown of the Group's building materials for the six months ended 30 June 2011 is analysed below:

	For the six months ended 30 June		
	2011	2010	
	RMB'000	*RMB'000*	*Change*
Curtain Wall	229,094	216,551	6%
Ready-mixed Concrete	171,682	145,355	18%
Furnishings and Interior Decorations	160,623	158,266	1%
Steel Structure	65,719	65,145	1%
Wooden Products and Fireproof Materials	26,889	25,020	7%
Concrete Pipes	9,654	30,951	-69%
Others	5,455	5,329	2%
Total	669,116	646,617	3%

During the period, the Group's building materials business continues to maintain stable growth and development, and has registered improvements in almost all sectors of business. The reduction in revenue for concrete pipes sector was due to the fact that a rental contract was signed between the Group and a third party in March 2011, pursuant to which the Group shall receive a sum of rental from the third party in exchange for the leased premises, plant and equipment, whilst the said rental income had not been accounted for as revenue of building materials business.

Revenue generated from the curtain wall sector has been increased steadily. The Group continues to maintain long-term business relationship with some major and renowned property developers, such as Greentown China, Vanke, Wanda, and China Merchant Property Development in China. During the period, the curtain wall contract value of the landmark building of Shenzhen China Merchant Square in Shekou, Shenzhen, amounted to approximately RMB117,000,000. Besides, the Group also solicited six curtain wall projects for Wanda Plazas located in Keqiao, Shijiazhuang, Fuzhou, Quanzhou, Daqing in Heilongjiang and Jiangqiao in Shanghai.

The Group has begun the research and development of industrialised building materials since 1992. In 1997, it became one of the national pilot companies of industrialised housing nominated by the Ministry of Housing and Urban-Rural Construction (the only one in Zhejiang Province). In March 2006, the Group started the research and development cooperation with Daiwa House on housing industrialisation towards to Chinese market. In 2009, the Construction and Housing Industrialisation Research Institute of National Engineering and Technological Research Centre was established in the Group. The Group was awarded the "National Housing Industrialisation Base" in the same year. At present, the Group has established three Building Materials Industrial Parks in Shaoxing, Hefei and Wuhan, and its businesses have been extended to cover the areas of Yangtze River Delta and central China. In June 2011, the industrialisation of housing research development project co-developed by Baoye and Daiwa House has received the award of the "Science and Technology Achievement in Construction Industry Appraisal Certificate" granted by the Ministry of Housing and Urban-Rural Construction, setting out the standards for industrialised housing that can be deployed in the nation wide market.

Prospect

Business Outlook

During the period, China's overall economy remained strong, with GDP increased by 9.6% compared to the same period last year; per capita disposable income of urban residents has reached RMB11,041, representing an increase of 13.2% over the same period last year; and the fixed assets investment increased by 25.6% compared to the same period last year, in which property sector accounts for 32.9% compared to same period last year. It is expected that government austerity macroeconomic measures will be focused on controlling inflation and maintaining economic growth. In the situation where economic growth tends to slow down in the second half of the year, government control measures will be gradually eased or softened out, taking into consideration of the enhanced banks' credit tightening up measures that was regulated by the Chinese government in the beginning of the year which has shown positive effects against the property markets. However, the weakened property prices would call for an increase in demand for housing because of increase in urbanisation and investment in properties is still the preferred choice of investment for general investors and that general demand for housing remains strong in China. At the same time, followed by the speedy development in government affordable housing, fixed assets investment will increase steadily, all of which will preserve a good operating environment for the Group's businesses taken as a whole.

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

The Group will continue to adopt the operating strategy of "going out of Zhejiang and Yangtze River Delta, and replicating the whole of nation" leveraged by the advantage and core competencies that are brought by the "three-in-one" business model. The Group will continue to strengthen its management capabilities and skills, and implement localisation of management in each of the regional operating centres in realising the economic benefits giving rise by the economies of scale and business expansion.

Infrastructural construction in China remains strong, with the humongous and sizable scale of affordable housing construction available in the market place, business opportunities for the construction business will be enormous. Sighting this opportunity, the Group will participate actively in infrastructural construction and affordable housing construction. As at the date of this announcement, the Group has contracted for affordable housing construction for approximately 800,000 square metres with a total contract value of RMB1,200,000,000.

Benefiting from the rapid economic development in central China, the two regional subsidiaries of the Company in Hubei and Anhui are able to capture this golden opportunity to speed up their developments. With the completion of restructuring and reorganisation after the acquisition, the operating profit of Hubei Baoye generated from the three core businesses in construction, property development and building materials have registered rapid growth. During the period, the construction business of Hubei Baoye accounts for approximately 19% of the total revenue of construction business of the Group. With this pace of rapid growth and steady development, Hubei Baoye and Anhui Baoye will continue to increase its market share in central China and will be able to contribute higher profit contribution to the Group's construction business.

Property development business contributes substantial profit for the Group

During the period, the government announced and executed a series of austerity macroeconomic control policies and measures by imposing restrictions on property purchase and bank credit lending. These policies and measures would have deepened and would have no doubts in creating obstacles aiming to softening the property market demand and land auction activities in the short run. However, the Group firmly believes that moderate regulatory restrictions can portray a more reasonable, healthy and steady market in building a sustainable and equitable operating environment for the property market.

With respect to property sales, under the government's tightening macroeconomic policies and measures, the Group will maintain its responsiveness to market demand and market conditions from time to time and will develop property projects within its own capability and capacity only. Balancing between the Group's profitability and healthier long-term development, the Group will endeavor and adopt flexible marketing and sales initiatives to withstand these austerity control policies and measures undertaken by the Chinese government.

With respect to property project development, based on changing market demand and prevailing property development conditions, the Group will adjust its development strategies to shorten the project development cycle and speed up the use and development of current land reserve.

With respect to land reserve, it is expected that the control policies and measures will be deepened in the second half of 2011. With an increase in land supply and increase in cash strain of property developers, land prices are expected to be lower in the second half of 2011. The Group will pay particular attention to the land supply market in securing additional land resources through public tender, public auction, and acquisition supported by the Group's healthy cash flow, strong financial position and sound bank credit records in the territories of Shanghai, Anhui, Hubei and Zhejiang.

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

Under the policy of promoting green and environmental-friendly housing, it is most notably for the Group to rationalise and research for China's building and construction development in the past 100 years. Relying on the Group's competitive advantage in technology research and construction methodologies in the industrialisation of housing and combining technologies with land resources, it will emphasize on development of green and low-carbon residential housing. At the same time, the Group intends to provide full range of products lines and services as well as high quality products to sizeable corporate enterprises.

The Chinese government implements and pushes the construction of affordable housing in very large scale, calling for speedy construction and energy-saving. In this connection, the construction of affordable housing will offer a golden opportunity for the growth and development of industrialised housing. The Group's three building materials industrial parks in Shaoxing, Hefei and Wuhan will be able to benefit from this policy and the development in industrialization of housing.

The social, economic and family lifestyle in China including the requirements for residential housing have undergone radical changes in recent years. To cater for different varieties of individual preferences, the Group will therefore adopt customisation and standardisation of individual designs in different property development projects to improve the housing construction quality by industrialisation of housing.

FINANCIAL REVIEW

Financial Policies

The Group has adopted prudent financial policies and exercised tight risk management control over its investment, financing and cash as well as maintaining a sound capital structure. The Group will adjust its investment, financing and capital structure from time to time according to sustainable development and internal resources available, with a view to optimising the capital structure of the Group.

The Group has established a financial settlement centre, which centralises funding for the Company and all of its subsidiaries at the group level. The Board believes that such policy can achieve better control on the treasury operations, minimise financing risks and lower the average cost of funding.

Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People's Bank of China. Such excellent credit rating will benefit the Group's financing activities and 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 approximately 24% (corresponding period of 2010: 23%) of the total borrowings. In addition, approximately 29% of the total borrowings (corresponding period of 2010: 21%) were jointly guaranteed by the chairman of the Board, Mr. Pang Baogen and the Company to the lending banks. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

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

The Group's financial position has been satisfactory and has maintained net cash. The Group has sufficient capital resource to expand its business, details of which are analysed below:

	As at 30 June	
	2011	**2010**
	RMB'000	*RMB'000*
Cash and cash equivalents	2,005,933	1,841,610
Restricted bank deposits	130,371	412,447
Less: total borrowings	(536,450)	(1,974,261)
Net cash	1,599,854	279,796
Total equity attributable to the owners of the Company	4,103,760	3,520,518
Net cash ratio	39.0%	7.9%

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

Other Key Financial Ratios

	As at 30 June	
	2011	**2010**
Return on equity	10.7%	7.1%
Net assets value per share (RMB)	6.19	5.31
Current ratio	1.36	1.31

Return on equity	=	profit attributable to the owners of the Company/total equity attributable to the owners of the Company
Net assets value per share	=	total equity attributable to the owners of the Company/ number of issued shares at the end of the period
Current ratio	=	current assets/current liabilities

During the period, return on equity and net assets value per share recorded a significant increase compared to the same period last year due to the contribution of revenue and operating profit derived from the property development. The satisfactory results attributable to the sale of pre-sale units recorded a large amount of cash inflow from operating activities. Besides, bank borrowings decreased compared to the same period last year and the Company is in the position of net cash, with a net cash ratio of 39%. The Group's financial position is much stronger as compared to that of the same period last year.

Cash Flow Analysis

		As at 30 June	
		2011	**2010**
	Note	*RMB'000*	*RMB'000*
Cash inflow/(outflow) from operating activities	*(i)*	84,649	(223,480)
Cash inflow from investing activities	*(ii)*	14,227	60,887
Cash (outflow)/inflow from financing activities	*(iii)*	(40,831)	326,751
Net increase in cash and cash equivalents		58,045	164,158

Note:

(i) During the period, the net cash inflow from operating activities was RMB84,649,000, an increase of cash inflow of RMB308,129,000, which was primarily attributable to the strong cash inflow due to the satisfactory pre-sale of property units.

(ii) During the period, the net cash inflow from investing activities was RMB14,227,000, a decrease of cash inflow of RMB46,660,000 as compared to the same period last year, which was primarily due to the decrease of disposals of raw materials, property, plant and equipment.

(iii) During the period, the net cash outflow from financing activities was RMB40,831,000, which was primarily attributable to the repayment of bank borrowings during the period.

Land Appreciation Tax

The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial Reporting and Accounting Standards in accounting for such tax provision, and has also prepaid the land appreciation taxes based on the sale values multiplied by certain assessed rates determined by the respective local tax authorities where the properties are located. For the six months ended 30 June 2011, the Group's land appreciation tax amounted to approximately RMB110,804,000. 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 amounted to RMB157,059,000 for the six months ended 30 June 2011 as compared to RMB143,465,000 for the six months ended 30 June 2010, representing a moderate increase of RMB13,594,000, or 9.5%. Followed by the business expansion and increase of the employees' salaries and benefits, administrative expenses had increased accordingly during the period.

Financial Expenses

During the period, financial expenses of RMB10,155,000 were mainly interest expenses attributable to bank borrowings, a decrease of RMB7,160,000 compared to that of the same period last year of RMB17,315,000, which was primarily due to reduction in bank borrowings.

External Guarantee and Fulfillment

	30 June 2011	**31 December 2010**
	RMB'000	*RMB'000*
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers	821,863	304,220

The Group had issued performance guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by the Group. The banks will release such guarantees upon the delivery of the building ownership certificates of such properties to the banks as securities.

Details of the Charges on the Group's Assets

As at 30 June 2011, land use rights, property, plant and equipment and properties under development at a total value of approximately RMB775,385,000 (as at 31 December 2010: RMB889,288,000) were pledged to banks as security in securing bank borrowings.

Capital Expenditure Plan

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

Adjustment of RMB Exchange Rate and Foreign Exchange Risks

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

Dividends

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2011.

Connected Transactions

During the period, the Group had no connected transaction that would require 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 2011.

Human Resources

As at 30 June 2011, the Group had a total of approximately 3,720 permanent employees (as at 30 June 2010: 3,748). Also, there were approximately 74,473 indirectly employed construction site workers (as at 30 June 2010: 61,230). These workers were not directly employed by the Group. For the six months ended 30 June 2011, the total employee benefit expenses amounted to approximately RMB1,282,605,000 (corresponding period of 2010: RMB751,799,000). Employee benefit expenses include salary, insurance and other benefit. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Board is continuously working on devising, revising and implementing a more effective employee incentive plan to encourage superior performance of employees to fit into the Group's long term development plan.

Code on Corporate Governance Practices

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011, except that the role of the 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 oversee and manage the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of the Group's policies efficiently. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

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 (the "Model Code") contained in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by the directors and supervisors. Specific enquiries have been made by the Company and all the directors and supervisors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2011. If any related employees possess information which may be considered as sensitive to the Company's share price and such information is not public, such employee has to comply with the written guidance, which is as strict as the Model Code.

Audit Committee

The audit committee held one meeting during the period, and all of three members attended the meeting. The audit committee discussed the accounting policies as well as critical accounting estimates and assumptions with the management and discussed with the auditors on the audit plan and key audit areas. The audit objectives 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 2011 had been reviewed by the audit committee before being approved by the Board.

Publication of Interim Report

The full text of the Company's 2011 Interim Report will be sent to the shareholders of the Company and will be 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 its 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
Pang Baogen
Chairman

Zhejiang, the People's Republic of China
22 August 2011

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