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

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

(Stock Code: 2355)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board (the "Board") of directors (the "Directors") of Baoye Group Company Limited* (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012 prepared in accordance with the Hong Kong Financial Reporting Standards, together with comparative figures for the corresponding period in 2011. The interim results had been reviewed by the audit committee of the Board and approved by the Board. The following financial information is extracted from the unaudited condensed consolidated interim financial information as set out in the Group's 2012 Interim Report.

* *for identification purpose only*

INTERIM CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**8,252,261**	7,405,059
Cost of sales		**(7,480,765)**	(6,546,782)
Gross profit		**771,496**	858,277
Other income		**52,397**	23,421
Other gains – net		**6,328**	4,538
Selling and marketing costs		**(18,358)**	(17,720)
Administrative expenses		**(172,563)**	(157,059)
Operating profit		**639,300**	711,457
Finance costs		**–**	(10,155)
Share of loss of jointly controlled entity		**(8,759)**	(1,308)
Share of losses of associates		**(5,538)**	(507)
Profit before income tax		**625,003**	699,487
Income tax expense	*3*	**(217,687)**	(258,321)
Profit for the period		**407,316**	441,166
Attributable to:			
– Owners of the Company		**405,322**	437,797
– Non-controlling interests		**1,994**	3,369
		407,316	441,166
Earnings per share for profit attributable to the owners of the Company			
– basic and diluted (expressed in RMB per share)	*4*	**RMB0.61**	RMB0.66
Dividends	*5*	**–**	–

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Profit for the period	**407,316**	441,166
Other comprehensive income:		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	**(184)**	(1,890)
Change in fair value of available-for-sale financial assets, net of tax	**62**	62
Other comprehensive income for the period, net of tax	**(122)**	(1,828)
Total comprehensive income for the period	**407,194**	439,338
Total comprehensive income attributable to:		
– Owners of the Company	**405,200**	435,969
– Non-controlling interests	**1,994**	3,369
	407,194	439,338

INTERIM CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2012** *RMB'000*	Audited 31 December 2011 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**582,020**	588,262
Property, plant and equipment		**1,011,122**	960,390
Goodwill		**16,534**	16,534
Properties under development		**369,129**	369,129
Investment in the jointly controlled entity		**–**	8,759
Loan to the jointly controlled entity		**246,196**	189,757
Investment in associates		**25,566**	2,857
Loan to associates		**31,700**	–
Available-for-sale financial assets		**11,561**	11,479
Deferred income tax assets		**194,566**	192,111
		2,488,394	2,339,278
Current assets			
Inventories		**124,275**	143,911
Properties under development		**2,797,966**	2,601,982
Completed properties held for sale		**569,807**	620,281
Due from customers on construction contracts		**1,724,221**	1,685,703
Trade receivables	*6*	**901,358**	935,965
Other receivables		**2,382,425**	2,370,499
Restricted bank deposits		**241,298**	527,521
Cash and cash equivalents		**1,766,632**	1,878,422
		10,507,982	10,764,284
Total assets		**12,996,376**	13,103,562

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 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	**116,709**	116,831
Retained earnings			
– Proposed dividends		**–**	139,222
– Others		**3,010,164**	2,604,842
		4,637,132	4,371,154
Non-controlling interests		**88,550**	76,556
Total equity		**4,725,682**	4,447,710
LIABILITIES			
Non-current liabilities			
Borrowings		**171,000**	210,000
Deferred income tax liabilities		**39,987**	38,910
		210,987	248,910
Current liabilities			
Trade payables	8	**1,938,206**	1,736,606
Other payables		**1,345,379**	1,246,566
Receipts in advance		**1,348,684**	1,737,569
Current income tax liabilities		**711,041**	720,420
Due to customers on construction contracts		**1,345,075**	1,565,881
Dividends payables		**139,222**	–
Borrowings		**1,232,100**	1,399,900
		8,059,707	8,406,942
Total liabilities		**8,270,694**	8,655,852
Total equity and liabilities		**12,996,376**	13,103,562
Net current assets		**2,448,275**	2,357,342
Total assets less current liabilities		**4,936,669**	4,696,620

Note:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 (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 2011, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants.

The new and amended accounting standards, as well as the interpretations, which are mandatory for the financial year beginning on 1 January 2012, are not relevant or have no impact to the Group's Interim Financial Information.

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.

The unaudited segment information provided to executive directors for the reportable segments for the six months ended 30 June 2012 is as follows:

	Six months ended 30 June 2012				
	Construction	**Property development**	**Building materials**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	**6,750,049**	**1,063,469**	**865,632**	**59,888**	**8,739,038**
Inter-segment revenue	**(334,875)**	**–**	**(137,292)**	**(14,610)**	**(486,777)**
Revenue (from external customers)	**6,415,174**	**1,063,469**	**728,340**	**45,278**	**8,252,261**
Operating profit/(loss)	**205,547**	**416,177**	**26,832**	**(9,256)**	**639,300**
Depreciation	**16,541**	**1,393**	**21,933**	**6,668**	**46,535**
Amortisation	**2,832**	**–**	**2,185**	**1,225**	**6,242**
Reversal of impairment of receivables	**379**	**–**	**(887)**	**–**	**(508)**
Share of loss of jointly controlled entity	**–**	**8,759**	**–**	**–**	**8,759**
Share of losses of associates	**–**	**2,702**	**2,836**	**–**	**5,538**
Income tax expense	**46,998**	**165,129**	**4,651**	**909**	**217,687**

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

Revenue derived from a single external customer was less than 10% of the Group's total revenue for the six months ended 30 June 2012.

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 2012 (six months ended 30 June 2011: 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% (2011: 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	
	2012	2011
	RMB'000	*RMB'000*
Current income tax		
– PRC CIT	**134,302**	152,564
– PRC land appreciation tax	**84,783**	110,804
Deferred income tax, net	**(1,398)**	(5,047)
	217,687	258,321

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	
	2012	2011
Profit attributable to the owners of the Company (RMB'000)	**405,322**	437,797
Ordinary shares in issue during the period (thousands shares)	**662,964**	662,964
Basic earnings per share (RMB)	**0.61**	0.66

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 2012 (six months ended 30 June 2011: nil). A final dividend of RMB0.21 per ordinary share for 2011, amounting to total dividend of RMB139,222,000, approved at the annual general meeting of the Company on 15 June 2012, was paid on 25 July 2012.

6. TRADE RECEIVABLES

	30 June	31 December
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**937,259**	972,374
Less: provision for doubtful debts	**(35,901)**	(36,409)
	901,358	935,965

Customers are generally 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 2012 *RMB'000*	31 December 2011 *RMB'000*
Within 3 months	**412,457**	557,479
3 months to 1 year	**327,307**	225,516
1 to 2 years	**89,593**	75,512
2 to 3 years	**64,096**	64,502
Over 3 years	**43,806**	49,365
	937,259	972,374

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 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 revaluated 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
Six months ended 30 June 2012					
Balance as at 1 January 2012	**4,115**	**3,104**	**123,199**	**(13,587)**	**116,831**
Transfer of reserves to income statement upon sale of revaluated properties	**(184)**	**–**	**–**	**–**	**(184)**
Revaluation of available-for-sale financial assets	**–**	**82**	**–**	**–**	**82**
Revaluation – tax	**–**	**(20)**	**–**	**–**	**(20)**
Balance as at 30 June 2012	**3,931**	**3,166**	**123,199**	**(13,587)**	**116,709**

8. TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	30 June 2012 *RMB'000*	31 December 2011 *RMB'000*
Within 3 months	**1,223,066**	968,738
3 months to 1 year	**467,803**	368,630
1 to 2 years	**105,564**	235,428
2 to 3 years	**77,897**	91,061
Over 3 years	**63,876**	72,749
	1,938,206	1,736,606

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the six months ended 30 June 2012, the Group achieved a consolidated revenue of approximately RMB8,252,261,000, representing an increase of approximately 11% from the corresponding period last year; operating profit amounted to approximately RMB639,300,000, representing a decrease of approximately 10% from the corresponding period last year; profit attributable to the owners of the Company amounted to approximately RMB405,322,000, representing a decrease of approximately 7% compared to the same period last year; earnings per share was approximately RMB0.61, representing a decrease of approximately 8% compared to the same period last year. During the period under review, the decrease in operating profit was mainly due to the changes in sales mix of the property development business compared to the same period last year, resulting from reduction in operating profit margin.

Revenue

	For the six months ended 30 June				
	2012		2011		
	RMB'000	***% of total***	*RMB'000*	*% of total*	*Change*
Construction	**6,415,174**	**77%**	5,553,244	75%	16%
Property Development	**1,063,469**	**13%**	1,106,695	15%	–4%
Building Materials	**728,340**	**9%**	669,116	9%	9%
Others	**45,278**	**1%**	76,004	1%	–40%
Total	**8,252,261**	**100%**	7,405,059	100%	11%

Operating Profit

	For the six months ended 30 June				
	2012		2011		
	RMB'000	***% of total***	*RMB'000*	*% of total*	*Change*
Construction	**205,547**	**32%**	170,713	24%	20%
Property Development	**416,177**	**65%**	500,642	70%	–17%
Building Materials	**26,832**	**4%**	34,415	5%	–22%
Others	**(9,256)**	**–1%**	5,687	1%	–263%
Total	**639,300**	**100%**	711,457	100%	–10%

Construction Business

For the six months ended 30 June 2012, the Group's construction business achieved a revenue of approximately RMB6,415,174,000, representing a growth of approximately 16% over the same period last year. Operating profit amounted to approximately RMB205,547,000, representing an increase of approximately 20% over the same period last year.

As at 30 June 2012, the Group's total contract value under construction-in-progress amounted to approximately RMB42,713,606,000, representing an increase of approximately 14% over the same period last year. The total contract value for the Group's construction-in-progress is analysed as follows:

By project nature:

	As at 30 June				
	2012		2011		
	RMB'000	***% of total***	*RMB'000*	*% of total*	*Change*
Government and Public Buildings	**13,668,354**	**32%**	12,375,014	33%	10%
Urban Infrastructure	**12,386,946**	**29%**	10,125,012	27%	22%
Residential Projects	**8,969,857**	**21%**	8,625,010	23%	4%
Industrial Projects	**7,688,449**	**18%**	6,375,007	17%	21%
Total	**42,713,606**	**100%**	37,500,043	100%	14%

By region:

	As at 30 June				
	2012		2011		
	RMB'000	***% of total***	*RMB'000*	*% of total*	*Change*
Zhejiang Province	**13,241,218**	**31%**	12,750,015	34%	4%
Shanghai	**10,678,402**	**25%**	10,125,012	27%	5%
Other Eastern China Region	**4,271,361**	**10%**	2,925,003	8%	46%
Central China Region	**7,688,449**	**18%**	6,000,007	16%	28%
Northern China Region	**4,271,361**	**10%**	3,525,004	9%	21%
Other Regions	**1,324,120**	**3%**	1,125,001	3%	18%
Overseas*	**1,238,695**	**3%**	1,050,001	3%	18%
Total	**42,713,606**	**100%**	37,500,043	100%	14%

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

During the period under review, both the revenue and operating profit of the Group's construction business still achieved steady growth compared to the same period last year, which were mainly attributable to the priority projects such as government and public buildings, urban infrastructure and high-end properties as its core business, which are located in the Yangtze River Delta region with rampancy economic growth, as well as benefited from the newly developed markets and business expansion which have been positioned in the past few years. During the period under review, the Group has secured new construction contracts amounted to approximately RMB7.5 billion (corresponding period of 2011: RMB8 billion) in value, representing a decline of approximately 6.25% compared to the same period last year, which was due to the slowdown of economy growth, strict regulations on the real estate industry and the shortage of funds of local governments. Under such circumstances, the Group selectively undertakes projects by adopting the principle of controlling business risks at the beginning and improving project quality, and securing a large number of high-end projects such as the Yiwu International Airport Terminal, the logistics warehouse of Global Logistic Properties Lingang in Shanghai, the Block C of Shanghai Wanyuan Town, the Phase II of Continental Tyre Plant in Hefei, Jinqian Square and the Centurial Square Jialan Mingxuan project in Tianjin. The Group's overseas construction business also maintained its steady growth. As at 30 June 2012, overseas projects-under-construction amounted to approximately RMB1.2 billion.

Property Development Business

Property Sales

For the six months ended 30 June 2012, the revenue of the Group's property development business amounted to approximately RMB1,063,469,000 (revenue before deductions of sales tax and related levies was approximately RMB1,125,523,000), representing a decrease of approximately 4% over the same period last year. Operating profit amounted to approximately RMB416,177,000, representing a decrease of approximately 17% compared to the same period last year. The decrease in revenue and operating profit of the property development business was mainly due to the changes in sales mix recognised during the period under review, leading to the reduction in selling prices and operating profit.

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

Project Name	**Location**	**Average Selling Price** *(RMB/Sqm)*	**Floor Area Sold** *(Sqms)*	**Revenue** *(RMB'000)*
Baoye Four Seasons Garden	Shaoxing	28,574	27,089	774,040
Yangxun Commercial Center	Shaoxing	6,185	31,461	194,589
Baoye Tongcheng Green Garden	Hefei	7,369	11,080	81,644

Projects under Development

As at 30 June 2012, projects under development of the Group are set out below:

Project Name	Location	Total Floor Area Under Development (*sqms*)	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	483,000	100%
Daban Fengqing Phase II	Shaoxing	150,000	100%
Yuyuan	Shaoxing	67,500	49%
Jiangwan Green Garden	Shaoxing	59,000	100%
City Green Garden Phase IV	Hefei	100,000	100%
Baoye Dongcheng Square	Hefei	228,500	100%
Jiangwan Luyuan	Hangzhou	70,000	100%
Baoye Guanggu Lidu	Wuhan	300,000	100%
Baoye Gongyuan Tianxia	Shanghai	194,000	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, town houses and garden houses, and will be developed into 12 phases. It consists of a golf club and a five-star resort hotel, a country park and a central lakeside garden with full-fledged facilities.

Daban Fengqing is located in Keqiao, Shaoxing County, and has a total site area of approximately 100,000 square metres and an estimated gross floor area of approximately 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. The phase I of approximately 130,000 square metres has been accounted for as revenue in 2011; the phase II of approximately 150,000 square metres is under development, and will be delivered to the owners in the second half of 2012.

Yuyuan, located at No. 1 Yangming Road, Shaoxing City, has a total site area of approximately 180,000 square metres and an estimated gross floor area of approximately 98,000 square metres. The Group and Greentown China Holdings Limited, a listed company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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. The project will be developed in four phases.

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 59,000 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 under development.

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 and has been 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.

Baoye Dongcheng Square is located in Changjiang East Road, the business centre in Hefei City, 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.

Jiangwan Luyuan is located in Xiaoshan District, Hangzhou City and has a total site area of approximately 50,000 square metres and a total gross floor area of approximately 70,000 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 multi-storey residential buildings and town houses. This project is under development and the revenue is estimated to be recognised in 2013.

Baoye Guanggu Lidu is located in the East Lake New Technology Development Zone in Wuhan City. The total site area is approximately 120,000 square metres and the estimated gross floor area is approximately 300,000 square metres. The project comprises 18 high-rise residential buildings and commercial units, aiming to build a reasonably arranged residential units with well-developed facilities, convenient transportation and rich cultural connotation. The project will be developed in three phases.

Baoye Gongyuan Tianxia is located in Huinan, Pudong New District, Shanghai, a prime location within the Pudong golden triangle, populated by industrial zones with convenient transportation and well-developed community facilities. It has a total site area of approximately 106,950 square metres and an estimated gross floor area of approximately 194,000 square metres, comprising of high-rise residential, town houses and commercial units. The project will be developed in three phases.

New Land Reserves

During the period under review, the Group had successfully bid for a parcel of land use rights in Mengcheng County, Anhui, at a total consideration of RMB288,630,000. The land has a total site area of approximately 148,000 square metres, of which the Group is interested in 50%. Besides, the Group had also successfully bid for another parcel of land use rights in Kaifeng, Henan, at a total consideration of RMB22,120,000. The land has a site area of approximately 64,000 square metres. As at the date of this announcement, the Group has had 541,000 square metres of land use rights in Kaifeng, Henan and holds 80% interest.

Leveraging on the Group's healthy cash flow position, prudent financial position and low land cost, the Group will continue to adopt a prudent but proactive role in expanding its business and will seek appropriate targets in project development and land acquisition, aiming to provide satisfactory returns to its shareholders.

Building Materials Business

For the six months ended 30 June 2012, the revenue of the Group's building materials business was approximately RMB728,340,000, representing an increase of approximately 9% over the same period last year; operating profit was approximately RMB26,832,000, representing a decline of approximately 22% over the same period last year.

The revenue breakdown of the Group's building materials business for the six months ended 30 June 2012 is set out below:

	For the six months ended 30 June		
	2012	2011	
	RMB'000	*RMB'000*	*Change*
Curtain Wall	**372,012**	255,218	46%
Ready-mixed Concrete	**138,068**	181,967	–24%
Furnishings and Interior Decorations	**116,093**	135,198	–14%
Steel Structure	**63,506**	30,342	109%
Wooden Products and Fireproof Materials	**26,966**	39,858	–32%
Others	**11,695**	26,533	–56%
Total	**728,340**	669,116	9%

During the period under review, the revenue of the building materials business sectors had been increased unevenly throughout with the curtain wall sector maintained its stable growth, which has secured a number of high-end projects such as the Anhui Agriculture University, the Conba Building and the Shaoxing Cultural Centre etc. Whilst the revenue of ready-mixed concrete, furnishings and interior decorations, wooden products and fireproof materials sectors all registered a decline compared to the same period last year, which were mainly due to stiff market competition and reduction in start-up of new construction projects. The decline in operating profit margin for the building materials business was mainly due to increased raw materials and labor costs, as well as the fierce competition. The Group believes that both the revenue and operating profit margin of building materials business will grow steadily when the production capacity of the two building materials industrial parks in Hefei and Wuhan becomes fully utilized.

Through years of development and accumulated experience in housing industrialisation, the Group possesses two industrialised housing technological systems of light steel structure and PC concrete structure and the capability for production and sale of PC concrete structure, articulated with easy construction, accurate assembly, high quality, safety, energy-saving and environmental-friendly, all of which can be widely applied into the underground complex construction projects and affordable housing, supplementing the technological elements for these underground complex construction projects, fabrication of high-rise residential units and broadening the product range of industrialised housing. The Group has contracted for the construction of the Tianmen Lake Public Housing Project for rental in Hefei, which is the first affordable housing built using housing industrialisation construction methodology in Anhui Province. The Group also secured another public housing project for rental in Xinzhan District, Hefei, with an estimated gross floor area of 57,700 square metres, having a total contract value of approximately RMB120,000,000, which is the first high-rise building fabricated complex in Anhui province and the largest public housing for rental with composite slab and shear wall structure system in China. During the period under review, at the Sino-Japan Housing Industry Meeting held by China and Japan Construction Housing Industry Associations, the Group was elected as one of the four companies for the construction of Sino-Japan model housing in China.

Business Prospect

In the second half of 2012, impacted by the slow recovery of the global economy and the complicated and changing environment of international counterparts, domestic enterprises will face the challenges of increasing raw material and labor costs, worsening financial environment, and deteriorating export market demand. In order to maintain stable economy growth, the Chinese government will continue maintaining the proactive fiscal policy and relaxing monetary policy, investing in infrastructure construction, supporting the technology advancement and energy-saving and environmental-friendly industries, and building construction of affordable housing, all of which provide a favorable operating environment and development opportunity for the Group's businesses in construction and industrialisation of housing.

The Group insists to strive for a management principle in "ensuring a steady and healthy growth rather than looking for exceptional results achievement in short term" and the implementation of efficient contract management. The Group sets new targets for its three main businesses, that is maintaining a stable growth in construction business, speeding up the development of high-quality properties, transforming and upgrading the housing industrialisation business, and propelling the industrialised housing to enhance the company's competition edge and brand image.

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

The Group's construction business mainly consists of government and public buildings and urban infrastructure, which are less risky and will grow steadily in line with the moderate adjustment in macro-economic policy and increase in infrastructural investment by the Central Government.

Leveraged on the premium class certification for general building construction contracting works and its strengths and core competition in the industry, the Group proactively implemented the "two-surpass and two-advance" approach to enter into the markets of infrastructure construction projects in water supplies and transport projects by alignment of design and general contractor role, and by integration of capital financing module and construction-operation model.

As one of the substantial tasks set out in the Twelfth-Five-Year-Plan, affordable housing construction was strongly supported by the government. The Group will seize the opportunity to take an active participation in this large scale construction for government affordable housing.

Property development business contributes substantial profit for the Group

The government persisted to impose rigid measures in regulating the real estate market, aiming to establish a healthier market system for the real estate industry. The Group is confident in the development of real estate market in long time due to the speedy development of urbanisation which is a prime development trend in China.

Compared to the first tier cities, the second and third tier cities in Hubei, Anhui and Henan, which are less affected by austerity macro-economic measures, would have higher residential market and greater development potential. The Group will continue to deepen the property development business in those cities with market-oriented products. The Group always adopts prudent policy to preserve land bank with superior location, reasonable scale, attractive price and great appreciation potential through public bidding to meet the property development in the coming 3 to 5 years, ensuring a sustainable development of the property development business and improving the Group's profitability as a whole. Meanwhile, the Group will speed up the development of existing land reserve and shorten the project development cycle to increase the saleable areas according to the market demand in order to take an advantageous position in the competitive market at all time.

Under the austerity macro-economic measures, the Group converts "risk" into "opportunity" and develops two kinds of products: one is the residential buildings for improvement in living and the other is premium high-end residential units. Supported by the Group's high-quality construction service and energy-saving, environmental-friendly building materials, the property development business will seize the transforming opportunity in the real estate industry and will propel the business transformation by technology advancement.

Housing Industrialisation is an important strategy to sustain continuous growth for the Group

Benefiting from the market demand for energy-saving, low-carbon and green buildings, as well as the government's policy and the industry environment, the pursue of industrialisation of housing will encompass an unprecedented development phase. At present, the level of most of building structure, building materials and the interior decoration of buildings in China are lower than the standards of environment-protection, comfort and energy-saving, and have problems in technology, construction design and competent standardisation. The pursue of industrialisation of housing can improve modernisation level, integrate the completion set of residential technology and promote the application of environmental-friendly, energy-saving building materials.

Housing industrialisation is interactive with the Group's main businesses. Driven by the encouragement of government and market discipline, housing industrialisation integrates the features of standardised design, industrialised production of components, assembly construction, as well as combination of intelligence, green and healthy components to construct green, healthy, low-carbon and environmental-friendly housing. With the expansion of the real estate industry, in particular, the large-scale construction of the affordable housing provides a golden development opportunity for the housing industry.

The Group possesses three building materials industrial parks, which are located in Shaoxing, Hefei and Wuhan, and two industrialised housing technological systems of light steel structure and PC concrete structure. Going forward, the Group will continue refining the business process and its strengths, by combining technologies with land resources, participating construction of affordable housing actively and applying the industrialised housing technology into the Group's construction business and property development business. The Group will realise the integrated development of the three main businesses, the improvement in corporate value and will make contribution to industrialisation of housing and enable it to become a massive new manufacturing industry followed by the automobile industry and home appliance industry, as well as in the areas of energy-saving and emission reduction.

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 under review, the Group maintained most of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 15% (corresponding period of 2011: 24%) of the total borrowings. In addition, approximately 30% of the total borrowings (corresponding period of 2011: 29%) 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 a net cash position. The Group has sufficient capital resource to expand its business, details of which are analysed below:

	As at 30 June	
	2012	2011
	RMB'000	*RMB'000*
Cash and cash equivalents	**1,766,632**	2,005,933
Restricted bank deposits	**241,298**	130,371
Less: total borrowings	**(1,403,100)**	(536,450)
Net cash	**604,830**	1,599,854
Total equity attributable to the owners of the Company	**4,637,132**	4,103,760
Net cash ratio	**13.0%**	39.0%

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

Other Key Financial Ratios

	As at 30 June	
	2012	2011
Return on equity of the Company	**8.7%**	10.7%
Net assets value per share (RMB)	**6.99**	6.19
Current ratio	**1.30**	1.36

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

During the period under review, operating profit of the property development business and building materials business decreased slightly, which were largely due to the macro-austerity environment. As such, the return on equity of the Company decreased approximately 18.7% compared to the same period last year. Net assets value per share still achieved an increase of approximately 12.9% compared to the same period last year contributed by the hefty profit. During the period under review, the Group was still in the position of net cash, having a decreased net cash ratio at approximately 13.0% as compared to the same period last year, mainly due to the acquisition of various land use rights, pursuant to which the Company paid an aggregate of approximately RMB1.31 billion from the second half of 2011, which was partly financed by internally generated funds and partly financed by increased bank borrowings. As a result of which, the Group's bank borrowings was increased substantially during the period under review.

Cash Flow Analysis

		For the six months ended 30 June	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Net cash inflow from operating activities	*(i)*	**242,179**	84,649
Net cash (outflow)/inflow from investing activities	*(ii)*	**(157,169)**	14,227
Net cash outflow from financing activities	*(iii)*	**(196,800)**	(40,831)
Net (decrease)/increase in cash and cash equivalents		**(111,790)**	58,045

Note:

(i) During the period under review, the net cash inflow from the operating activities was approximately RMB242,179,000, an increase of approximately RMB157,530,000 compared to the same period last year, which was primarily attributable to the satisfactory pre-sale of property units and the collection of trade receivable.

(ii) During the period under review, the net cash outflow from the investing activities was RMB157,169,000, which was primarily due to the increased investment in property, plant and equipment and the increased loans to the jointly controlled entity.

(iii) During the period under review, the net cash outflow from the financing activities was RMB196,800,000, which was mainly used for repaying the bank borrowings.

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 2012, the Group's land appreciation tax amounted to approximately RMB84,783,000. 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 approximately RMB172,563,000 for the six months ended 30 June 2012 as compared to approximately RMB157,059,000 for the same period last year, representing a moderate increase of approximately 9.9%. Followed by the business expansion and increase of the employees' salaries and benefits, administrative expenses had been increased correspondingly.

Financial Guarantee

	30 June 2012 *RMB'000*	31 December 2011 *RMB'000*
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	**180,483**	256,592

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 these properties to the banks as securities.

Details of the Charges on the Group's Assets

As at 30 June 2012, land use rights, property, plant and equipment and properties under development of the Group with a total net book value amounted to approximately RMB679,160,000 (as at 31 December 2011: approximately RMB917,721,000) 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 and at reasonable costs.

Adjustment of RMB Exchange Rate and Foreign Exchange Risks

A 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 2012.

Connected Transactions

During the period under review, the Group had no connected transaction that would require disclosure under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Purchase, Sale or Redemption of Shares of the Company

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Litigation and Arbitration

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

Entrusted Deposits and Overdue Time Deposits

As at the date of this announcement, the Group did not have any entrusted deposits placed with financial institutions in the PRC. All of the Group's cash and cash equivalents were deposited in commercial banks in accordance with the applicable laws and regulations. The Group had no bank deposits which cannot be withdrawn upon maturity.

Human Resources

As at 30 June 2012, the Group had a total of approximately 3,647 permanent employees (as at 30 June 2011: 3,720). Also, there were approximately 78,589 indirectly employed construction site workers (as at 30 June 2011: 74,473).These workers were not directly employed by the Group. For the six months ended 30 June 2012, the total employee benefit expenses amounted to approximately RMB1,791,383,000 (the same period in 2011: RMB1,282,605,000). Employee benefit expenses include salary, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and 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.

Corporate Governance Practices

In the opinion of the Board, the Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to the Listing Rules, 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 and Supervisors

The Board and the Supervisory Committee have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as its own code of conduct for securities transactions by the Directors and supervisors of the Company (the "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 2012. If any related employee 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 of the Board consists of two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Wang Youqing, and one non-executive Director, Mr. Fung Ching, Simon, with Mr. Chan Yin Ming, Dennis as the chairman of the audit committee. The audit committee held one meeting during the period under review, and all of three members attended the meeting. The audit committee has discussed the accounting policies, critical accounting estimates and assumptions, the audit objectives and the scope of the Group's internal audit department with management. They also discussed with the auditors on audit plans and key audit areas. The interim results of the Group for the six months ended 30 June 2012 had been reviewed by the audit committee before being approved by the Board.

Remuneration Committee

The remuneration committee of the Board comprises two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Zhao Rulong, and one executive Director, namely, Mr. Pang Baogen, with Mr. Chan Yin Ming, Dennis as the chairman of the remuneration committee. The remuneration committee is responsible for assessing the performance of executive Directors, Supervisors and senior management and making suggestion for formulating their remuneration policy, as well as assessing the benefit of the employees.

Nomination Committee

The nomination committee of the Board comprises two independent non-executive Directors, namely, Mr. Wang Youqing and Mr. Zhao Rulong, and one executive Director, namely, Mr. Gao Jiming, with Mr. Wang Youqing as the chairman of the nomination committee. The nomination committee is responsible for reviewing the structure, number of members and composition of the Board, identifying appropriate candidates for the position of Directors, and nominating such persons to be Directors and assessing the independence of the independent non-executive Directors.

Publication of Interim Report

The full text of the Group's 2012 Interim Report for the six months ended 30 June 2012 will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

Appreciation

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

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

Zhejiang, the People's Republic of China
20 August 2012

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