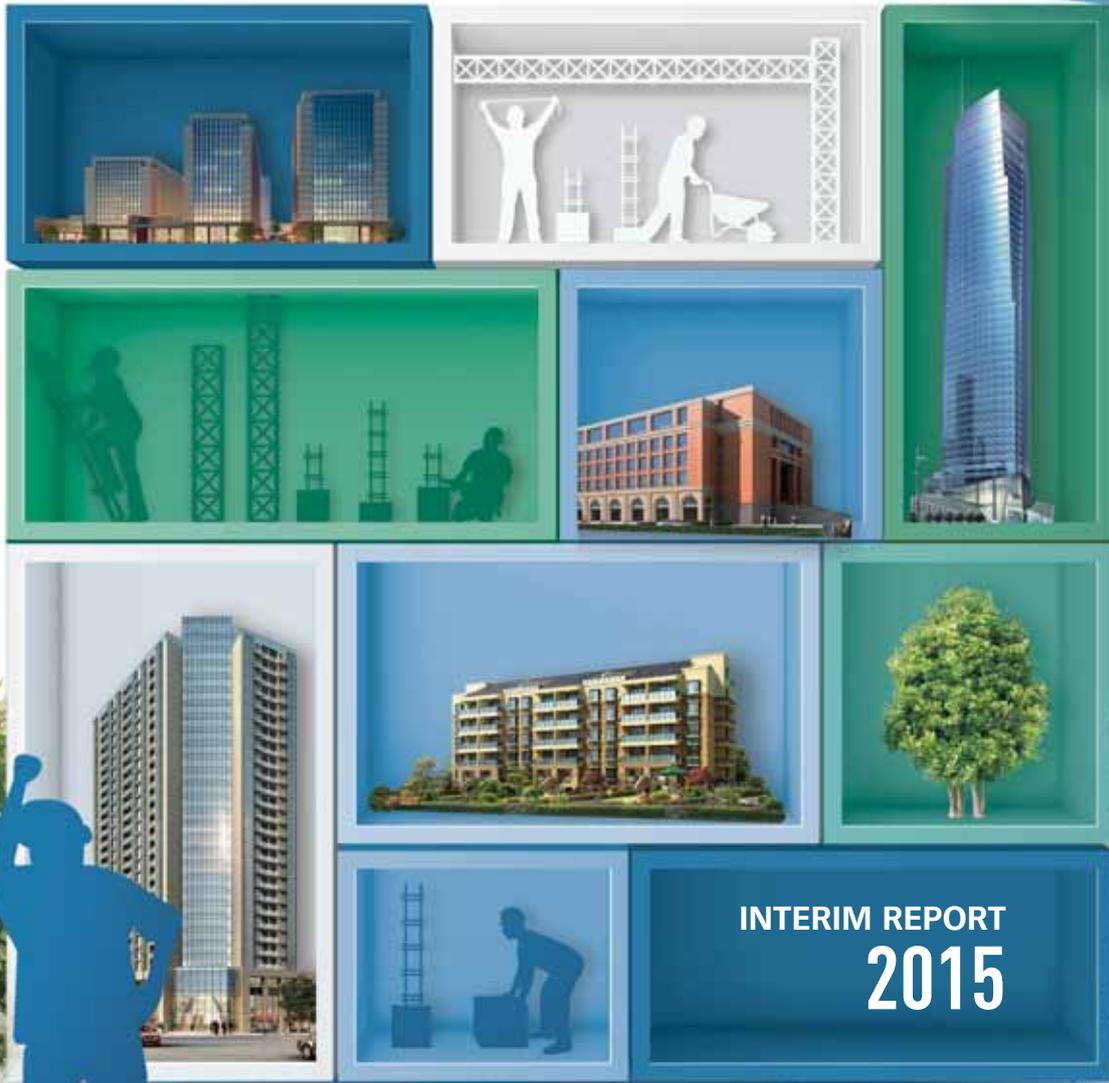




# BAOYE GROUP COMPANY LIMITED

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

Stock Code: 2355



INTERIM REPORT  
2015



# OUR MISSION

“From construction to manufacturing”, leads construction industry towards industrialisation in China.

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# CORPORATE PROFILE

## BUSINESS STRUCTURE

### BAOYE GROUP COMPANY LIMITED

#### Construction Business

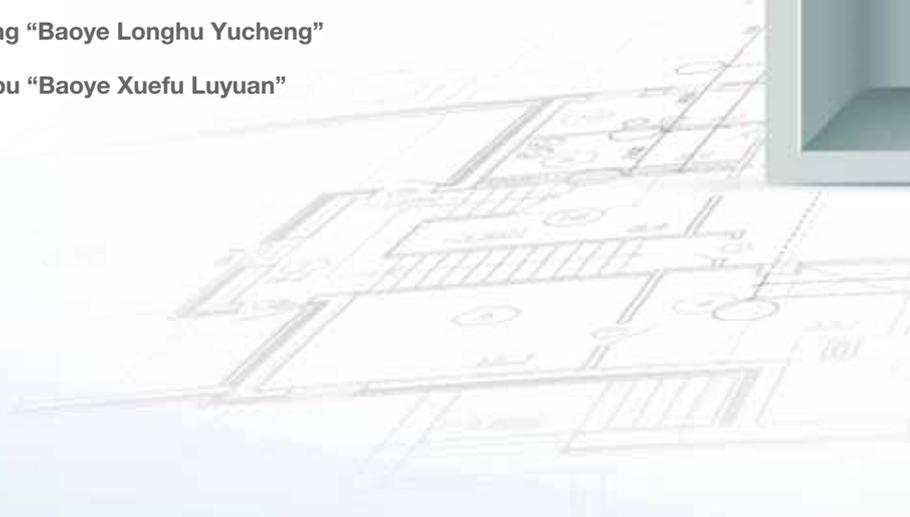
- Government and Public Buildings
- Urban Facilities and Infrastructure
- Commercial Buildings
- Residential Buildings
- Industrial Buildings
- Electrical and Electronic Installation
- Fireproof Facilities Installation
- Curtain Wall Installation
- Gardening and Landscaping

#### Property Development Business

- Shaoxing “Baoye Four Seasons Garden”
- Wuhan “Baoye Guanggu Lidu”
- Wuhan “Baoye Centre”
- Shanghai “Baoye Wanhua Cheng”
- Shanghai “Baoye Centre”
- Shanghai “Baoye Ido”
- Bozhou “Baoye Mengdie Luyuan”
- Bozhou “Baoye Xiaoyao Luyuan”
- Kaifeng “Baoye Longhu Yucheng”
- Bengbu “Baoye Xuefu Luyuan”

#### Building Materials Business

- Curtain Wall
- Ready-mixed Concrete
- Steel Structure
- Furnishings and Interior Decorations
- Wooden Products and Fireproof Materials
- PC Assembly Plate
- Others





**Construction Business**

Zhejiang | Shanghai | Jiangsu | Anhui | Hubei | Hunan | Beijing | Tianjin | Hebei | Henan | Shandong | Shanxi | Liaoning | Sichuan | Chongqing | Xinjiang | Jiangxi | Fujian | Guangdong | Djibouti | Botswana | Seychelles

**Property Development Business**

Shaoxing | Wuhan | Shanghai | Bozhou | Kaifeng | Bengbu

**Building Materials Business**

Shaoxing Building Materials Industrial Park | Hefei Building Materials Industrial Park | Wuhan Building Materials Industrial Park

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Pang Baogen  
(Chairman of the Board)  
Mr. Gao Lin  
Mr. Gao Jiming  
Mr. Gao Jun  
Mr. Jin Jixiang

### Non-executive Director

Mr. Fung Ching, Simon

### Independent

#### Non-executive Directors

Mr. Chan Yin Ming, Dennis  
Mr. Li Wangrong  
Ms. Liang Jing

## SUPERVISORS

### Supervisors

Mr. Kong Xiangquan (Chairman)  
Mr. Wang Jianguo  
Mr. Xu Gang

### Independent Supervisors

Mr. Zhang Xindao  
Mr. Xiao Jianmu

## AUDIT COMMITTEE

Mr. Chan Yin Ming, Dennis (Chairman)  
Mr. Fung Ching, Simon  
Mr. Li Wangrong

## REMUNERATION COMMITTEE

Mr. Chan Yin Ming, Dennis (Chairman)  
Mr. Pang Baogen  
Ms. Liang Jing

## NOMINATION COMMITTEE

Mr. Li Wangrong (Chairman)  
Mr. Gao Jiming  
Ms. Liang Jing

## COMPANY SECRETARY

Mr. Chow Chan Lum

## AUDITORS

### International Auditor

PricewaterhouseCoopers  
22/F, Prince's Building  
Central, Hong Kong

### Statutory Auditor

PricewaterhouseCoopers  
Zhongtian LLP  
34/F Tower A, Kingkey 100  
5016 Shennan East Road  
Luohu District  
Shenzhen, the PRC  
Post Code: 518001

## LEGAL ADVISERS

### As to Hong Kong law

Kwok Yih & Chan  
Suites 2103-05, 21st Floor  
9 Queen's Road Central,  
Central, Hong Kong

### As to PRC law

Fenxun Partners  
Suite 1008, China World Tower 2  
China World Trade Centre  
No.1 Jianguomenwai Avenue  
Beijing, the PRC  
Post Code: 100004

## H SHARE REGISTRAR

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## PRINCIPAL BANKS

Agricultural Bank of China Limited  
Bank of China Limited  
Bank of Communications Company  
Limited  
China Construction Bank Corporation  
China Minsheng Banking Corporation  
Limited  
Industrial and Commercial Bank of China  
Limited  
Shanghai Pudong Development Bank  
Company Limited

## REGISTERED ADDRESS

Yangxunqiao Township  
Keqiao District, Shaoxing City  
Zhejiang Province, the PRC  
Tel: 86 575 84882990  
Post Code: 312028

## HEADQUARTER ADDRESS

No.501 Shanyin West Road,  
Keqiao District, Shaoxing City  
Zhejiang Province, the PRC  
Post Code: 312030

## CORRESPONDENCE ADDRESS IN HONG KONG

Room 1902, MassMutual Tower  
38 Gloucester Road  
Wanchai, Hong Kong

## AUTHORISED REPRESENTATIVES

Mr. Pang Baogen  
Mr. Gao Jiming

## STOCK CODE

HKEx (2355)

## CONTACT

Investor Relations  
Tel: 86 575 84135837  
Fax: 86 575 84118792  
E-mail: irbaoye@baoyegroup.com

## WEBSITE

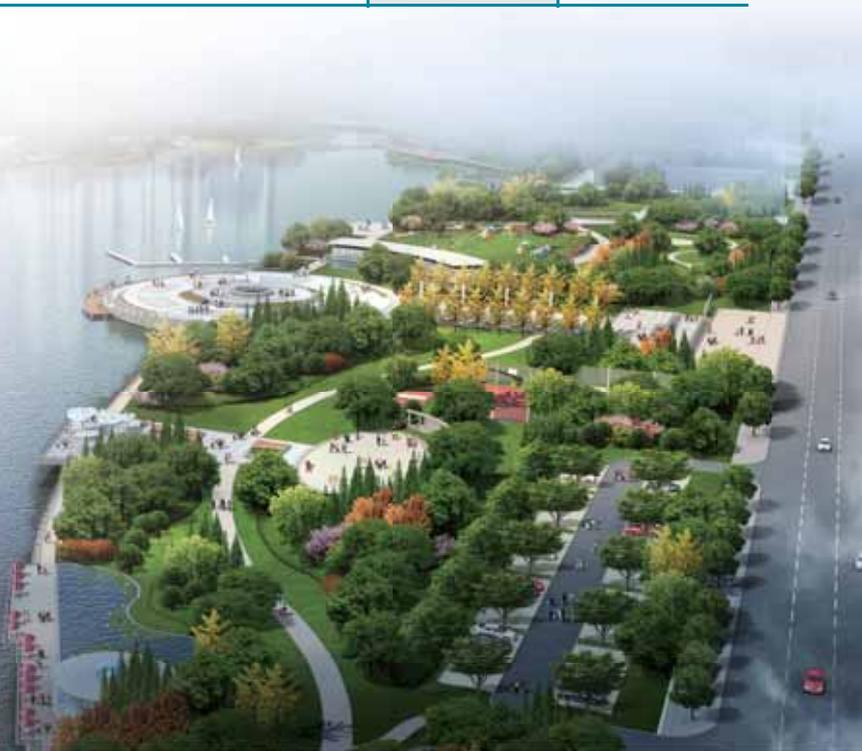
www.baoyegroup.com

# FINANCIAL HIGHLIGHTS

	For the six months ended 30 June				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
<b>Results</b>					
Revenue	<b>9,069,237</b>	9,340,369	8,986,100	8,252,261	7,405,059
Profit Attributable to the Owners of the Company	<b>238,285</b>	331,639	320,154	405,322	437,797
Earnings per Share (RMB)	<b>0.38</b>	0.51	0.48	0.61	0.66
<b>Assets and Liabilities</b>					
Total Assets	<b>18,510,895</b>	16,643,085	14,283,288	12,996,376	11,616,740
Total Liabilities	<b>12,341,500</b>	10,864,895	9,022,453	8,270,694	7,455,948
Total Equity	<b>6,169,395</b>	5,778,190	5,260,835	4,725,682	4,160,792

## KEY FINANCIAL RATIOS

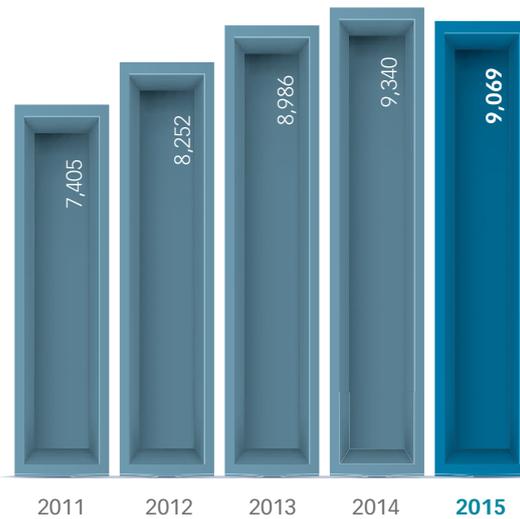
	As at 30 June	
	2015	2014
Return on Equity	<b>3.9%</b>	5.9%
Net Assets Value per Share (RMB)	<b>9.88</b>	8.95
Net Cash Ratio	<b>29.8%</b>	22.3%
Current Ratio	<b>1.31</b>	1.31
Cash Inflow from Operating Activities (RMB'000)	<b>264,323</b>	120,981



**REVENUE**

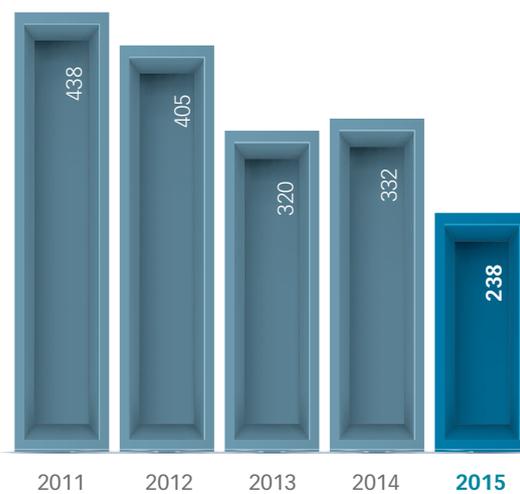
(in RMB million)

(for the six months ended 30 June)

**PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

(in RMB million)

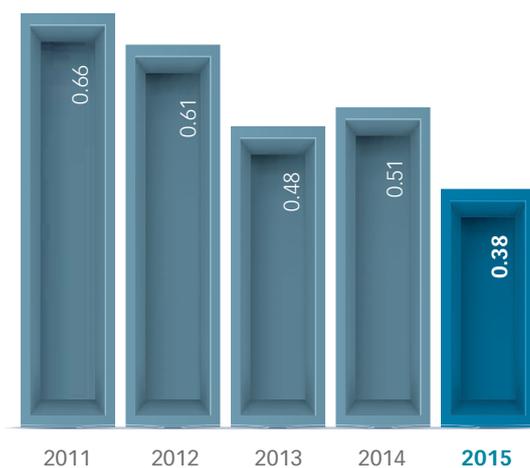
(for the six months ended 30 June)



**EARNINGS PER SHARE**

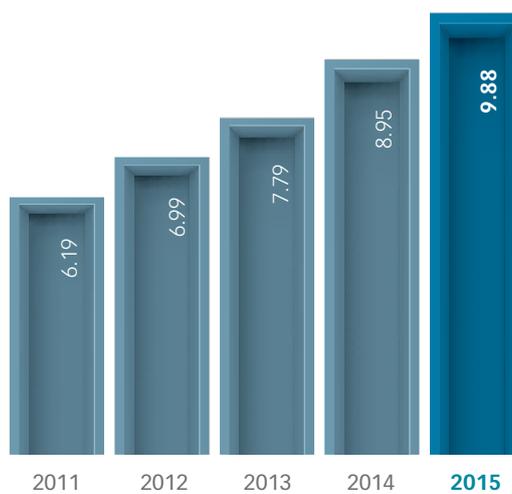
(in RMB)

(for the six months ended 30 June)

**NET ASSETS VALUE PER SHARE**

(in RMB)

(for the six months ended 30 June)



# MANAGEMENT DISCUSSION AND ANALYSIS



# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS REVIEW

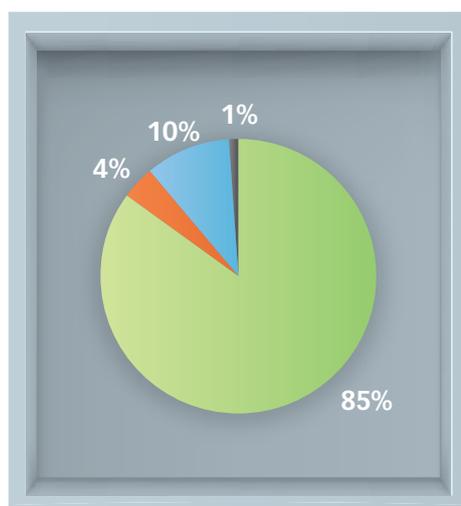
For the six months ended 30 June 2015, the Group achieved a consolidated revenue of approximately RMB9,069,237,000, representing a decrease of approximately 3% from the corresponding period last year; operating profit amounted to approximately RMB379,117,000, representing a decrease of approximately 11% as compared with the corresponding period last year; profit attributable to the owners of the Company amounted to approximately RMB238,285,000, representing a decrease of approximately 28% compared to the same period last year; earnings per share was RMB0.38, representing a decrease of approximately 25% compared to the same period last year.

During the period under review, the decrease in consolidated revenue and operating profit was mainly due to the fact that certain property sale units, which had been pre-sold, could not be delivered to the purchasers in accordance with the anticipated completion schedule, i.e. by 30 June 2015, thus these property sale units could not be recognised as revenue in the first half of 2015. These property sale units are expected to be delivered to the purchasers in the second half of 2015, thus the revenue generated from these property sale units would be recognised in the accounts of the Group in the second half of 2015.

## Revenue

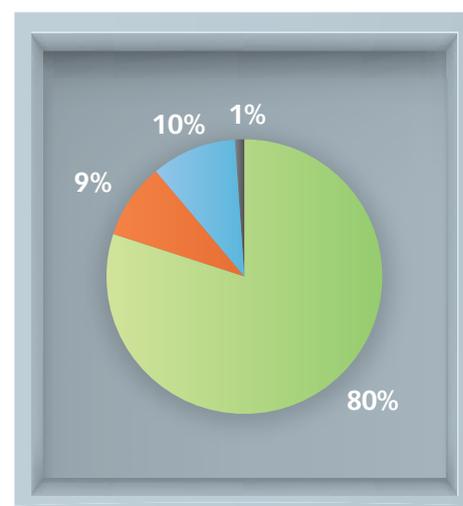
	For the six months ended 30 June				Change
	2015		2014		
	RMB'000	% of total	RMB'000	% of total	
Construction	7,674,007	85%	7,507,739	80%	2%
Property Development	397,115	4%	810,702	9%	-51%
Building Materials	938,000	10%	961,796	10%	-2%
Others	60,115	1%	60,132	1%	0%
<b>Total</b>	<b>9,069,237</b>	<b>100%</b>	<b>9,340,369</b>	<b>100%</b>	<b>-3%</b>

2015



● Construction Business
 ● Property Development Business
 ● Building Materials Business
 ● Others

2014



● Construction Business
 ● Property Development Business
 ● Building Materials Business
 ● Others

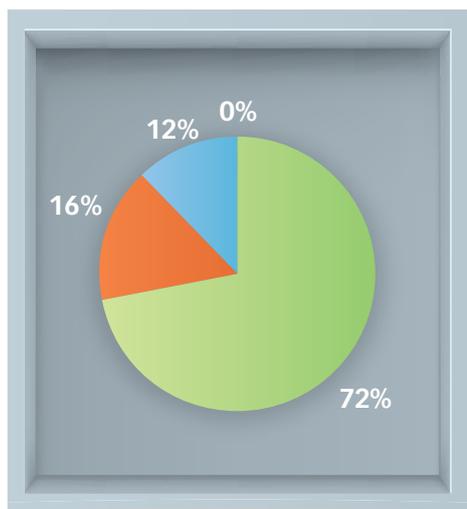


## Operating Profit

	For the six months ended 30 June				Change
	2015		2014		
	RMB'000	% of total	RMB'000	% of total	
Construction	273,867	72%	226,034	53%	21%
Property Development	59,866	16%	155,838	37%	-62%
Building Materials	44,963	12%	38,674	9%	16%
Others	421	0%	5,598	1%	-92%
<b>Total</b>	<b>379,117</b>	<b>100%</b>	426,144	100%	-11%

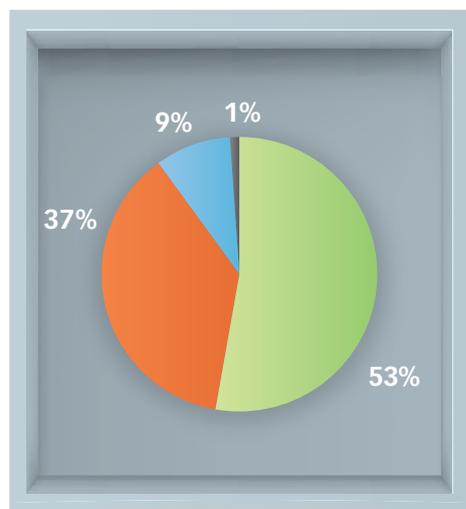


2015



- Construction Business
- Property Development Business
- Building Materials Business
- Others

2014



- Construction Business
- Property Development Business
- Building Materials Business
- Others

### Construction Business

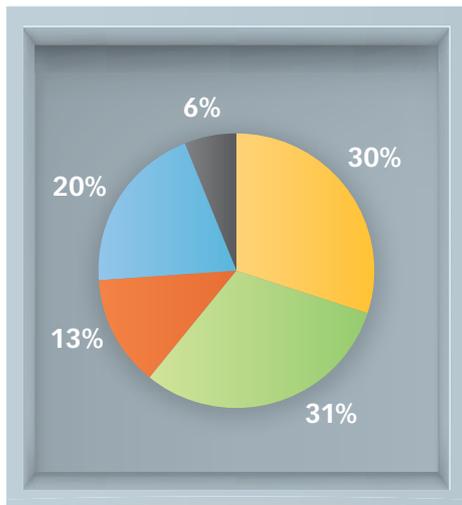
For the six months ended 30 June 2015, the Group's construction business achieved a revenue of approximately RMB7,674,007,000, representing a growth of approximately 2% over the same period last year; operating profit amounted to approximately RMB273,867,000, representing an increase of approximately 21% compared to the same period last year.

As at 30 June 2015, the Group's accumulated recognised revenue for the construction contracts under construction in-progress amounted to approximately RMB58,048,075,000, representing an increase of approximately 5% over the same period last year. The accumulated recognised revenue for the construction contracts under construction in-progress is analysed below:

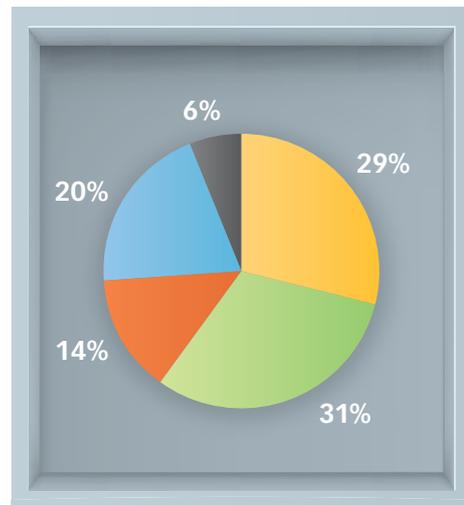
By project nature:

	2015		2014		Change
	RMB'000	% of total	RMB'000 (restated)	% of total	
Government and Public Buildings	17,211,254	30%	16,270,383	29%	6%
Urban Infrastructure	18,192,267	31%	16,939,332	31%	7%
Residential Projects	7,685,565	13%	7,662,504	14%	0%
Industrial Projects	11,406,447	20%	10,918,792	20%	4%
Public Housing Projects	3,552,542	6%	3,494,014	6%	2%
<b>Total</b>	<b>58,048,075</b>	<b>100%</b>	<b>55,285,025</b>	<b>100%</b>	<b>5%</b>

2015



2014



● Government and Public Buildings

● Urban Infrastructure

● Residential Projects

● Industrial Projects

● Public Housing Projects

● Government and Public Buildings

● Urban Infrastructure

● Residential Projects

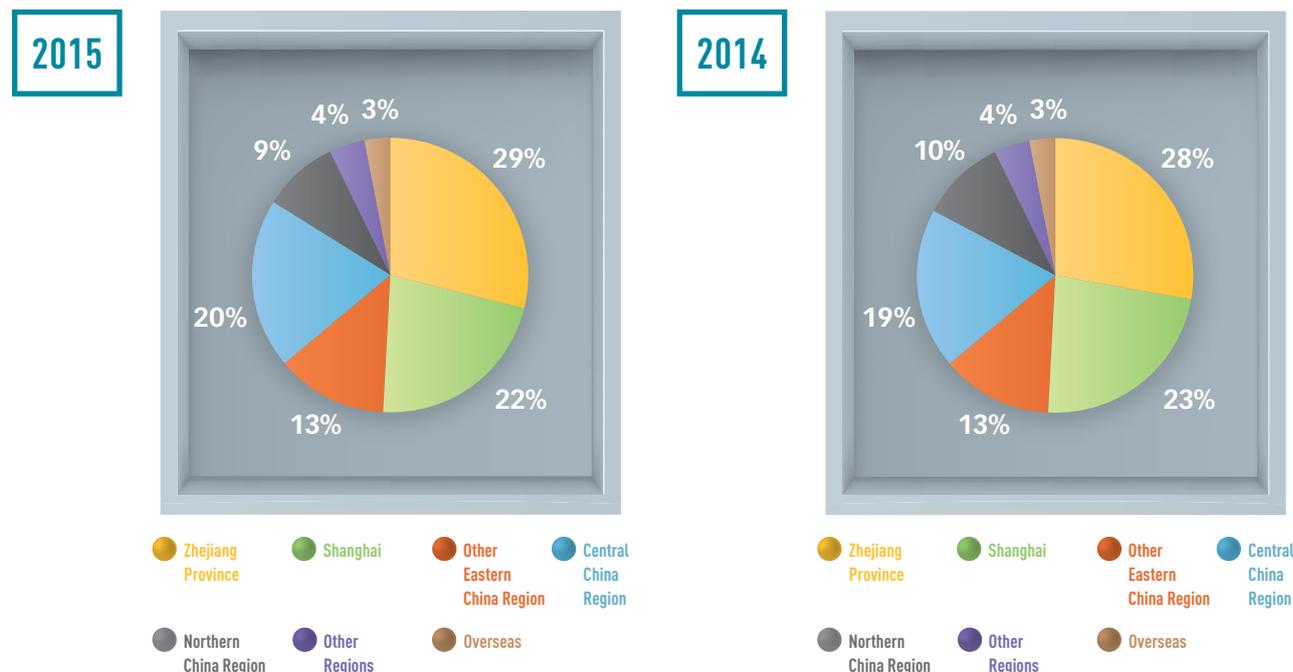
● Industrial Projects

● Public Housing Projects

By region:

	As at 30 June				
	2015		2014		Change
	RMB'000	% of total	RMB'000 (restated)	% of total	
Zhejiang Province	16,636,578	29%	15,678,833	28%	6%
Shanghai	12,973,745	22%	12,577,343	23%	3%
Other Eastern China Region	7,668,151	13%	7,192,582	13%	7%
Central China Region	11,621,225	20%	10,703,181	19%	9%
Northern China Region	5,491,869	9%	5,489,803	10%	0%
Other Regions	2,136,169	4%	2,122,945	4%	1%
Overseas*	1,520,338	3%	1,520,338	3%	0%
<b>Total</b>	<b>58,048,075</b>	<b>100%</b>	<b>55,285,025</b>	<b>100%</b>	<b>5%</b>

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



During the period under review, the Group continues to deepen the execution of contract management and project risk management, and adopts the strategy of partnering with “high value customer” and co-operation. By relying on technology and innovation drives, the business model has been transformed and enhanced to a higher level in preserving the branding of the construction group in the industry. During the period under review, the Group’s construction business has secured new construction contracts amounted to approximately RMB7.4 billion (corresponding period of 2014: RMB12.9 billion) in value, representing a decrease of approximately 43% compared to the same period last year. The Group has secured a large number of high-end projects, such as Zhejiang Shuren University Yangxunqiao Campus, Linjiang Comprehensive Logistics Park of Zhejiang Transfar Chemicals Group, Zhejiang Medical College in Lin’an City, Phase II of Alibaba Software Production Park in Hangzhou, the mathematics centre of Fudan University, and Intelligent Oasis Culture Garden in Sheshan, Shanghai. In August 2015, the Group has secured another project, namely Guangdong Yin Kui Hospital, with a total contract value of approximately RMB1.7 billion.

### Property Development Business

#### Property Sales

For the six months ended 30 June 2015, the revenue of the Group’s property development business amounted to approximately RMB397,115,000 (revenue before deductions of sales tax and related levies was approximately RMB422,978,000), representing a decrease of approximately 51% from the same period last year. Operating profit amounted to approximately RMB59,866,000, representing a decrease of approximately 62% compared to the same period last year. The reduction in revenue and operating profit was mainly due to that certain property sale units, which had been pre-sold, could not be delivered to the purchasers in accordance with the anticipated completion schedule, i.e. by 30 June 2015. These property sale units will be delivered to the purchasers and be recognised in the second half year of 2015.

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

Project	Location	Average Selling Price (RMB/Sqm)	Floor Areas Sold (Sqms)	Revenue (RMB’000)
Baoye Mengdie Luyuan	Mengcheng	4,619	44,945	207,601
City Green Garden Phase IV	Hefei	8,722	9,001	78,511
Baoye Daban Fengqing	Shaoxing	8,506	9,125	77,613
Jiangwan Green Garden	Shaoxing	8,636	3,979	34,362

For the six months ended 30 June 2015, the Group’s property development business achieved a contract sales value of approximately RMB1.71 billion with a total contract sales area of approximately 157,000 square metres.

### Projects under Development

As at 30 June 2015, projects under development of the Group are tabulated below:

Project Name	Location	Total Floor Area Under Development (sqms)	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	446,000	100%
Baoye Guanggu Lidu	Wuhan	199,019	100%
Hubei Baoye Centre	Wuhan	88,000	100%
Baoye Wanhuacheng	Shanghai	245,000	100%
Shanghai Baoye Centre	Shanghai	27,000	100%
Baoye Ido	Shanghai	56,000	100%
Baoye Mengdie Luyuan	Bozhou	339,000	50%
Baoye Xiaoyao Luyuan	Bozhou	131,000	50%
Baoye Xuefu Luyuan	Bengbu	199,700	63%
Baoye Longhu Yucheng Phase I	Kaifeng	170,000	60%

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a “province-rank” resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilisation flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from the downtown of Shaoxing City, it is known as the “natural treasure in the heart of a city”. Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres with 0.5 time plot ratio and a planned gross floor area of approximately 525,000 square metres for the development of deluxe villas, semi-detached villas and town houses. It also consists of a golf club, a five-star resort hotel, two leisure parks, a sport park, a shopping arcade, kindergarten and a central lakeside garden fully equipped with supporting facilities. This project is developed in 12 phases, of which, Lotus Garden, Liu Garden and He Garden had been delivered to owners, Ming Garden and Run Garden Phase I have almost been sold out and expected to be delivered to owners in the second half of 2015. Xi Garden, Jing Garden and Fu Garden are under pre-sale.

Baoye Guanggu Lidu is located in the East Lake New Technology Development Zone in Wuhan City, it has a total site area of approximately 120,000 square metres and an estimated gross floor area of approximately 300,000 square metres with a plot ratio of 2.3 times. The project comprises 18 high-rise residential buildings and commercial units, aiming to build reasonably scaled residential units with well-developed facilities, convenient transportation with a rich cultural connotation. The project is developed in three phases, of which, phase I has begun the delivery in July 2015.

Hubei Baoye Centre is located at the junction of Jianshe 1st Road and Jiangang South Road, Qingshan District, Wuhan City. It has an estimated gross floor area of approximately 88,000 square metres, pursuant to which, approximately 65,600 square metres were above-ground levels and approximately 22,400 square metres at underground levels, will be developed as office buildings. The construction of this project will begin the second half of 2015 and is expected to be completed by 2017.

Baoye Wanhuacheng, located in Huinan, Pudong New District, Shanghai, is positioned in the hub of the prime area of Pudong’s golden triangle, and supported by convenient transportation and well-developed community facilities. It has a total site area of approximately 106,950 square metres and an estimated gross floor area of approximately 245,000 square metres comprising high-rise residential units, town houses and commercial units. The project was launched for pre-sale in December 2013 with satisfactory results and will be delivered to owners in the second half of 2015.

Shanghai Baoye Centre is located in Hongqiao commercial business district, Shanghai, a prime location with convenient transportation. It has a total site area of approximately 8,130 square metres and an estimated gross floor area of approximately 27,000 square metres, pursuant to which, approximately 13,000 square metres were above-ground levels and approximately 14,000 square metres at underground levels, will be developed as office buildings. The main infrastructure has been completed in December 2014 and is under interior decoration and external wall furnishing. It is expected that this project will be completed and ready for use in 2016.

Baoye Ido is located in the east end of new city, Qingpu District, with convenient transportation. It is designed as a prefabricated construction project with a 30% prefabricated rate and 2.0 times plot ratio. It has a total gross floor area of 83,000 square metres, pursuant to which, approximately 56,000 square metres were above-ground levels, will be developed as 8 high-rise prefabricated residential buildings.

Baoye Mengdie Luyuan is located in Mengcheng County, Bozhou City, Anhui Province. It has a total estimated gross floor area of approximately 430,000 square metres, divided into East and West wings, comprising multi-storey units, high-rise residential and shopping units. This project is an ideal place for residential and commercial development with a unique style and convenient transportation. It will be the landmark of Mengcheng County when completed. The project is developed in six phases, of which, phase I and Phase II have been delivered to owners, phase III and phase IV have begun delivery in August 2015 and the rest are under pre-sale with satisfactory results.

Baoye Xiaoyao Luyuan, located in new district of south of Mengcheng County, Bozhou City, Anhui Province, has a total site area of approximately 93,000 square metres and an estimated gross floor area of approximately 131,000 square metres, comprising of semi-detached villas, garden houses, high-rise residential and commercial buildings, which will be developed with a distinct identity, high class, fashionable, multi-residential complex in this new south district of Mengcheng County. The project is currently under planning stage.

Baoye Xuefu Luyuan is located in Bengbu City, Anhui Province. It has a total site area of approximately 62,600 square metres and an estimated gross floor area of approximately 199,700 square metres, of which approximately 20,000 square metres are affordable housing. The project comprises 15 buildings and has commenced construction in July 2014. It began its pre-sale in the first half year of 2015, and is expected to be delivered to owners in 2016.

Baoye Longhu Yucheng is located in a prime area of Eastern New City, Kaifeng County, Henan Province. It has a total site area of approximately 900,000 square metres and an estimated gross floor area of approximately 1,200,000 square metres. After completion, it will become the city's new business district and holiday resort area. The project is being developed in 5 phases, of which, phase I has been under pre-sale in 2014 and 9 multi-story buildings will be delivered to owners in the second half of 2015.

### Land Reserve

During the period under review, the Group acquired a parcel of land use right with a site area of 148,000 square meters through public tender and auction at a total consideration of approximately RMB317,531,500, which is located in Taihe County, Anhui Province. The Group continues to adopt a prudent but proactive role in land acquisition and business expansion. The Group has land reserve in cities in the eastern and central China, such as Zhejiang, Hubei, Shanghai, Anhui and Henan, which can ensure its profit and capability of risk resistance benefiting from low land cost and reasonable region distribution.

### Building Materials Business

For the six months ended 30 June 2015, the revenue of the Group's building materials business was approximately RMB938,000,000, representing a decrease of approximately 2% over the same period last year; operating profit was approximately RMB44,963,000, representing an increase of approximately 16% over the same period last year.

The revenue breakdown of the Group's building materials for the six months ended 30 June 2015 is analysed below:

	For the six months ended 30 June				Change
	2015		2014		
	RMB'000	% the total	RMB'000	% the total	
Curtain Wall	<b>482,901</b>	<b>52%</b>	509,967	53%	<b>-5%</b>
Ready-mixed Concrete	<b>172,386</b>	<b>18%</b>	188,861	20%	<b>-9%</b>
Furnishings and Interior Decorations	<b>144,167</b>	<b>15%</b>	123,412	13%	<b>17%</b>
Steel Structure	<b>104,319</b>	<b>11%</b>	124,190	13%	<b>-16%</b>
Wooden Products and Fireproof Materials	<b>14,366</b>	<b>2%</b>	12,842	1%	<b>12%</b>
Others	<b>19,861</b>	<b>2%</b>	2,524	0%	<b>687%</b>
<b>Total</b>	<b>938,000</b>	<b>100%</b>	961,796	100%	<b>-2%</b>

During the period, all major sectors of the Group's building materials business maintained stable operation. The curtain wall business has secured some high-end projects such as Ningbo Cigar Factory and Jinying International Building in Kunshan, Jiangsu Province. The steel structure business has attained an appropriate business model by accumulating industry experience to tap the market demand by switching to value added process in assembly and fitting out roles.

During the period under review, the Group undertook two industrialised construction projects in Hefei, i.e. Binhu Run Garden Phase II and Nangang Second Public Housing in the new high-tech zone. These projects adopt the most advanced industrialised construction technology of shear wall sleeve grouting methodology with a prefabrication ratio of 50%, meaning that the Group's PC technology content has been enhanced to a mature level, which sets a new milestone for public housing in the areas of new rural development.

### BUSINESS PROSPECT

During the first half of 2015, the domestic economic environment became severe and experienced a downturn, but various economic indicators shed some lights of recovery. Under this "new regular trend", the Group, by adhering to the country-lead policies in developing its business in dealing with changes in market demand and market positioning as well as strengthening internal management, through innovative business development model and enhanced core competitive edges, enables its positions in forefront of the changes in economy so as to seize more business opportunities in the process of these economic transformations.

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

"It was best in times as well as worst in times." As one of cornerstone industries in China, construction industry has a huge market demand in size driven by enormous number of companies and sizable working population. However, due to the decrease in fixed-asset investment and domestic demand, real estate properties sales experienced from enormous sales to the state of sale of inventories which has cool down of the prospect of property development industry, leading to a worst time. However, having said that, we are also in best time. In general term, the construction industry is a highly competitive industry with imbalance penetration. In the medium and low end segments, which mainly competes in pricing of products, profit margins have been sluggish, and more importantly, the room for survival in these segments become more severe followed by the introduction of "Enterprise Qualification Standard in Construction Industry". Conversely, there are still rooms to grow in the high end segment where demand and profit margins continue to be strong primarily contributed by the mixture of capital employed, advance equipment, construction technology, and industry expertise. In addition, the differentiation in the industry sectors in terms of market segmentation is not clear to ease competition, in particular the low end segment where production capacity exceeds market demand. As a premier company having been awarded with its premium grade certification as a general constructor with 40 years' industry experience, the Group always adopt prudent approach in developing its business, focus on contract management, regional development strategy and business innovation, to become the first-tier leader in non-state own comprehensive construction enterprise.

Following the execution of new urbanisation construction and pilot government construction improvement projects in "a thousand village" serving as a role model for "tenth of thousands of village" construction improvement, "Reconstruction of old residence, old factories and old villages as well as illegal constructions" are underway in rebuilding "beautiful villages" in Zhejiang Province. The Group will leverage on its competitive advantages in resources capability, branding, and the increasingly mature industrialisation technologies to grasp the new business opportunity arising therefrom.

The Group is actively pursuing the national policy of energy-saving and emission reduction in order to be a good corporate citizen, and has taken the lead to execute green construction which can improve the standardisation and efficiency of construction processes. The Group is fostering innovative green construction technology and enriching experience, so as to support the business transformation and provide a sustainable dynamic for a stronger construction business.

**Property development business contributes substantial profit to the Group**

In the first half of 2015, the Group is benefited from the changes in government policies in relaxing the bank financing for real estate properties, real estate properties prices have started to rebound. But the disparity in different market segments is quite obvious, properties prices in first-tier cities remain on an upward trend, however, properties prices in second and third-tier cities continue to experience down trend, in particular in those cities where inventories are abundant.

The Group will continue to uphold prudent property development business strategy and position its market in second and third-tier cities. Led by customer and market demand, the Group will procure further land bank in prime locations, optimal development scale, reasonable pricing with great appreciation potential, adjust product mix structure when appropriate on selective projects, and to improve operational efficiency and profitability by implementation of better internal control and management with innovative marketing initiatives.

The Group aims to realize property development business transformation with the support of construction industrialisation in the future. As an enterprise comprises of a complete supply chain of construction industrialisation, the Group will ride on this advantage and apply advanced technologies including BIM to improve scientific and environmental-friendly functions and contents of projects and develop new property development business model driven by market demand under the new regular trend.

### **Housing industrialisation in an important strategy to sustain continuous growth for the Group**

In 2015, new business start-up and innovation have been deeply seeded in public mind. New industry, new business and new product registered their rapid growths by way of “Internet+” solution. After more than 20 years of research, development and practice in the field of construction industrialisation, the Group has developed three types of industrialised construction products of multi-storey buildings with light steel assembly structure, high-rise buildings with PC structure and high-rise building (above 100 metres) with sleeve connected method and has the capabilities of research, design, manufacturing and construction of industrialised housing, all of which enables manufacture of buildings in production lines.

Followed by municipal governments’ renewed policies to promote the housing industrialisation, as key players in the market, construction and real estate companies have increased their investments in this new emerging market, hence competition will intensify. As one of the pioneers in housing industrialisation in China, the Group will continue to increase its investments in research in developing of new construction technologies and actively participate in setting new construction procedures and industry standards on one hand, and will collaborate and cooperate with premier companies in Japan and Germany, aiming to transplant their advanced technologies in housing industrialisation, and bridging alliance partners, having the same vision, such as universities and research institutes in China, in realizing and speeding up the mission in acting as the leading roles in the construction of environmentally-friendly housing industrialisation in China.

## **FINANCIAL REVIEW**

### **Financial Policies**

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

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

### **Financial Resources and Liabilities**

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People’s Bank of China. Such excellent credit rating will benefit the Group’s financing activities and allow the Group to continue to enjoy the prime rate offered by the banks. During the period under review, the Group maintained most of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 18% (corresponding period of 2014: 47%) of the total borrowings. In addition, approximately 20% of the total borrowings (corresponding period of 2014: 11%) were jointly guaranteed by the chairman of the Board, Mr. Pang Baogen, and the Company to the lending banks. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

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

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resource to expand its business. As at 30 June 2015, the Group has unutilised banking facilities amounting to approximately RMB3.5 billion, details of which are analysed below:

	As at 30 June	
	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	<b>2,472,904</b>	1,989,795
Term deposits with initial term of over three months	<b>6,096</b>	–
Restricted bank deposits	<b>237,156</b>	263,040
Less: total borrowings	<b>(912,000)</b>	(994,953)
Net cash	<b>1,804,156</b>	1,257,882
Total equity attributable to the owners of the Company	<b>6,050,468</b>	5,652,804
Net cash ratio	<b>29.8%</b>	22.3%

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

### Other Key Financial Ratios

	As at 30 June	
	2015	2014
Return on equity	<b>3.9%</b>	5.9%
Net assets value per share (RMB)	<b>9.88</b>	8.95
Current ratio	<b>1.31</b>	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 under review, the profit attributable to the owners of the Company achieved approximately RMB238,285,000, representing a decrease of approximately 28%, mainly due to that certain property sale units, which has been pre-sold, could not be recognised as revenue in accordance with schedule. Although, the decreased profit has led to a reduction of return on equity, the Group still made a substantial profit, plus the reduction of total issued shares resulting from repurchased shares, net asset value per share recorded a growth of approximately 10.4% compared to the same period last year. During the period under review, the Group has continued to maintain a net cash position, of which the net cash ratio is approximately 29.8%, an increase of approximately 33.6% compared to the same period last year, which was mainly due to the refined capital management and repayment of substantial amount of bank borrowings.

## Cash Flow Analysis

	Note	For the six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Net cash inflow from operating activities	(i)	<b>264,323</b>	120,981
Net cash inflow/(outflow) from investing activities	(ii)	<b>110,525</b>	(176,174)
Net cash outflow from financing activities	(iii)	<b>(200,216)</b>	(114,169)
Net increase/(decrease)in cash and cash equivalents		<b>174,632</b>	(169,362)

### Notes:

- (i) During the period under review, the net cash inflow from operating activities as approximately RMB264,323,000, an increase of approximately RMB143,342,000 compared to the same period last year, which was mainly attributed by the satisfactory pre-sale performance from Baoye Four Seasons Garden and Baoye Wanhuacheng.
- (ii) During the period under review, the net cash inflow from investing activities was approximately RMB110,525,000, which was mainly attributed by the redemption of short-term bank financial product and the increased interests.
- (iii) During the period under review, the net cash outflow from financing activities was approximately RMB200,216,000, which was mainly used for the repurchase of H Share and repayment of 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 2015, the Group's land appreciation tax amounted to approximately RMB33,063,000.

## Administrative Expense

The Group's administrative expense amounted to approximately RMB201,800,000 for the six months ended 30 June 2015 as compared to approximately RMB195,172,000 for the same period last year, representing a moderate increase of 3.4%. Followed by the business expansion and increase of employees' salaries and benefits, administrative expense has increased correspondingly.

## Financial Cost

For the six months ended 30 June 2015, the Group had registered no financing costs, mainly due to the bank borrowings, which were applied for use in properties development and were entirely capitalised.

## Financial Guarantees

	30 June 2015 RMB'000	31 December 2014 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	<b>122,742</b>	85,438

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

### Details of the Charges on the Group's Assets

As at 30 June 2015, land use rights, property, plant and equipment and properties under development at a total value of approximately RMB796,061,000 (as at 31 December 2014: RMB921,968,000) 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.

### Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect the fluctuation 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 2015 (corresponding period of 2014: nil).





# CORPORATE GOVERNANCE

The Group is committed to establishing an efficient, orderly and transparent corporate governance mechanism. Since its listing, the Company strives to comply with the Company Law, the Listing Rules, the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (“CG Code”) and other relevant laws and regulations and will regularly review the corporate management activities to enhance corporate value so as to ensure a sustainable development of the Company and to maximise shareholders’ returns.

## CORPORATE GOVERNANCE PRACTICES

As at the date of this report, the Company has complied with all the code provisions as set out in the CG Code, except for deviation of provisions of the CG Code as mentioned below:

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company deviates from this provision because Mr. Pang Baogen has been performing both the roles of chairman and chief executive officer. The Group has appointed three general managers to oversee and manage the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of the Group’s policies efficiently. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board.

The Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

## BOARD OF DIRECTORS

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment and improving and reviewing the Group’s policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive Directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

As at the date of this report, the Board consists of nine Directors, including five executive Directors, namely, Mr. Pang Baogen (the chairman of the Board), 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. Li Wangrong and Ms. Liang Jing. Each of Mr. Fung Ching, Simon and Mr. Chan Yin Ming, Dennis has professional accounting qualifications and possesses a breadth of experience in accounting and financial management, Mr. Li Wangrong has rich experience in law and Ms. Liang Jing has rich experience in project management and audit. The diverse composition of the Board brings the Board different views, and also reflects a balance between effectiveness and independence.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The composition of independent non-executive Directors of the Board complies with Rule 3.10 (1) of the Listing Rules, the Company has appointed three independent non-executive Directors, accounting for one third of the Board. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders.

## BOARD COMMITTEES

The Board has established three board committees, namely, audit committee, nomination committee and remuneration committee to strengthen its functions and corporate governance rules. The audit committee, the nomination committee and the remuneration committee perform their specific duties in accordance with their respective written terms of reference.

### AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company consists of two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis and Mr. Li Wangrong and one non-executive Director, Mr. Fung Ching, Simon, with Mr. Chan Yin Ming, Dennis as the chairman of the audit committee. The audit committee held two meetings, and discussed the accounting policies as well as critical accounting estimates and assumptions with the management and discussed with the auditors on the audit plan and key audit areas. The audit objectives of internal audit department of the Group were also discussed. The interim results of the Group for the six months ended 30 June 2015 had been reviewed by the audit committee before being approved by the Board.

### REMUNERATION COMMITTEE

As at the date of this report, the remuneration committee comprises two independent non-executive Directors, namely, Mr. Chan Yin Ming, Dennis, Ms. Liang Jing and one executive Director, namely, Mr. Pang Baogen, with Mr. Chan Yin Ming, Dennis as the chairman of the remuneration committee. The major responsibilities of the remuneration committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors, Supervisors and senior management of the Company, to review and approve the management's remuneration recommendation according to the Board's policy and target, and to take the market forces and comparable industries into consideration when determining the remuneration packages of the Directors, Supervisors and senior management of the Company.

### NOMINATION COMMITTEE

As at the date of this report, the nomination committee comprises two independent non-executive Directors, namely, Mr. Li Wangrong, Ms. Liang Jing and one executive Director, namely, Mr. Gao Jiming, with Mr. Li Wangrong as the chairman of the nomination committee. The main duties of the nomination committee are to review the structure, size and composition of the Board of Directors on a regular basis, to make recommendations to the Board regarding any proposed changes and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of the independent non-executive Directors and providing recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and supervisors.

### AUDITORS

The re-appointment of PricewaterhouseCoopers as the Company's international auditor and the re-appointment of PricewaterhouseCoopers Zhongtian Certified Public Accountants LLP as the Company's PRC statutory auditor were approved at the annual general meeting held on 19 June 2015.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Board and the Supervisory Committee have adopted the Model Code 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 2015. If any related employee possesses information which may be considered as sensitive to the Company's share price and such information is not public, such employee has to comply with the written guidance, which is as strict as the Model Code.

## INVESTORS RELATIONS

The Company believed that it's very important to disclose accurate information timely and effectively for building market confidence, so the Company maintained good relations and communication with investors actively. In order to obtain more information from its investors and the potential investors, the Company has investor relations department, endeavoring to interact with its shareholders, investors, analysts, investment banks and financial medias and release the latest announcement, circular, interim report and annual report, as well as the Company's newsletters.

## SUBSTANTIAL SHAREHOLDERS OF H SHARES

As at the date of this report, so far as was known to the Directors, the following persons, other than Directors, Supervisors and senior management of the Company, have an interest in the shares of the Company as recorded in the register required to be kept under the Section 336 of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") and which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Number of H Shares of the Company Held (Long Position)	Approximate Percentage of the Total Issued H Shares of the Company	Approximate Percentage of the Total Registered Share Capital of the Company
Wu Xueqin (note 1)	29,304,000	11.20%	4.79%
Zhu Yicai	29,304,000	11.20%	4.79%
First Manhattan LLC (note 2)	19,964,000	7.63%	3.26%
First Beijing Investment (Cayman) Limited	19,964,000	7.63%	3.26%
Norges Bank	18,826,000	7.20%	3.07%
Citigroup Inc.	15,670,875	5.99%	2.56%

1. Ms. Wu Xueqin, the spouse of Mr. Zhu Yicai, is deemed to be interested 29,304,000 H shares through its controlled corporations, namely Top Easy Holding Limited and Star Ruby Overseas Ltd.
2. First Manhattan LLC is deemed to be interested in 19,964,000 H shares through its controlled corporation, namely First Beijing Investment (Cayman) Limited.
3. Information disclosed hereby is based on the information available on the website of Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).

# OTHER INFORMATION

## INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

As at the date of this report, the interests and short positions of Directors, Supervisors, chief executive and senior management of the Company and any of the associated corporations within the meaning of Part XV of the SFO, which are required to be (i) notified to the Company and HKEx pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and HKEx pursuant to the Model Code, were as follows:

Directors/Supervisors/ Senior Management	Relevant Entity	Capacity	Number of Domestic Shares (Long Position)	Approximate Percentage of the Total Registered Capital of the Relevant Entity
<b>Directors</b>				
Mr. Pang Baogen	The Company	Individual	193,753,054	31.64%
Mr. Pang Baogen	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	361,244	0.06%
Mr. Gao Jiming	The Company	Individual	12,059,254	1.97%
Mr. Gao Jiming	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	180,622	0.03%
Mr. Gao Lin	The Company	Individual	9,544,775	1.56%
Mr. Gao Lin	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	0.02%
Mr. Gao Jun	The Company	Individual	5,794,259	0.95%
Mr. Jin Jixiang	The Company	Individual	2,440,527	0.40%
<b>Supervisors</b>				
Wang Jianguo	The Company	Individual	5,250,290	0.86%
Wang Jianguo	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	2,424,288	0.40%
<b>Senior Management</b>				
Mr. Sun Guofan	The Company	Individual	11,705,283	1.91%
Mr. Lou Zhonghua	The Company	Individual	4,533,172	0.74%
Mr. Lou Zhonghua	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	120,415	0.02%
Mr. Wang Rongbiao	The Company	Individual	2,647,911	0.43%

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period under review, did the Company or any of its subsidiaries make any arrangement to enable the Directors, the Supervisors and their respective spouses or children under 18 years of age, to benefit from acquisition of the shares or debentures of the Company or any other corporation.

## CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the period under review, there's no change of Directors, Supervisors and Senior management.

## HUMAN RESOURCES

As at 30 June 2015, the Group had a total of approximately 4,071 permanent employees (as at 30 June 2014: 3,671). Also, there were approximately 71,638 indirectly employed construction site workers (as at 30 June 2014: 79,412). These workers were not directly employed by the Group. For the six months ended 30 June 2015, the total employee benefit expenses amounted to approximately RMB2,157,864,000 (the same period in 2014: RMB2,174,565,000). Employee benefit expenses include salaries, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and devotes to establishing a high quality team to support its long term business development. The Group is continuously working on devising, revising and implementing a more effective employee incentive plan and training plan to encourage superior performance of employees to fit into the Group's long term development plan.

## CONNECTED TRANSACTIONS

During the period under review, the Group had no connected transaction that would require disclosure under the Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2015, the Company repurchased a total of 19,371,952 of its H Shares, representing approximately 6.89% and 3.07% of the total number of H Shares and total number of issued shares of the Company respectively, for a total consideration of HK\$129,519,885 (excluding trading fee). Details of the repurchase of H Shares were as shown in the next day disclosure returns for the period from 17 April 2015 to 26 May 2015 published on the website of the Stock Exchange.

## LITIGATION AND ARBITRATION

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

## ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 30 June 2015, the Group has entered into an entrusted loan agreement with Shaoxing China Textile CBD Investment and Development Company Limited through a bank. The bank was authorised to grant the entrusted loan with a principal amount of RMB50 million for a term of five months at an interest rate of 6.12%. The interest of the entrusted loan shall be paid quarterly.

As at 30 June 2015, the Group did not have any entrusted deposits placed with financial institutions in the PRC except for the above entrusted loan. 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.

## APPRECIATION

The Board would like to take this opportunity to express gratitude to our 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 PRC  
28 August, 2015

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF BAOYE GROUP COMPANY LIMITED**

*(Incorporated in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 30 to 54, which comprises the interim condensed consolidated balance sheet of Baoye Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 August 2015

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# INTERIM CONSOLIDATED FINANCIAL INFORMATION

## Interim Condensed Consolidated Balance Sheet

		Unaudited 30 June 2015	Audited 31 December 2014
	<i>Note</i>	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	7	529,739	536,240
Property, plant and equipment	7	1,245,691	1,234,450
Investment properties	7	596,583	596,583
Goodwill	7	16,534	16,534
Investments in joint ventures		48,657	48,699
Loan to a joint venture	24	113,015	139,245
Investments in associates		22,944	24,423
Available-for-sale financial assets		13,961	11,988
Deferred income tax assets		64,902	63,251
		<b>2,652,026</b>	2,671,413
<b>Current assets</b>			
Inventories		171,820	141,816
Properties under development		4,150,300	4,152,152
Completed properties held for sale		1,595,156	1,106,578
Due from customers on construction contracts	8	3,024,130	2,569,726
Trade receivables	9	1,352,053	1,395,895
Other receivables and prepayments	10	2,703,816	2,592,414
Loans to associates	24	47,438	40,229
Available-for-sale financial assets		98,000	165,900
Restricted bank deposits		237,156	212,607
Term deposits with initial term of over three months		6,096	21,034
Cash and cash equivalents		2,472,904	2,298,272
		<b>15,858,869</b>	14,696,623
<b>Total assets</b>		<b>18,510,895</b>	17,368,036
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	11	612,372	631,744
Share premium	11	671,665	756,533
Reserves	12	146,504	145,024
Retained profits			
– Proposed dividends		–	63,174
– Others		4,619,927	4,379,705
		<b>6,050,468</b>	5,976,180
<b>Non-controlling interests</b>		<b>118,927</b>	114,157
<b>Total equity</b>		<b>6,169,395</b>	6,090,337

## Interim Condensed Consolidated Balance Sheet (continued)

		Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	130,000	289,000
Deferred income tax liabilities		70,352	63,505
		<b>200,352</b>	352,505
<b>Current liabilities</b>			
Trade payables	13	2,147,834	2,417,144
Other payables		2,282,741	2,332,662
Receipts in advance	15	4,412,394	3,228,749
Current income tax liabilities		452,668	428,161
Due to customers on construction contracts	8	2,002,274	1,799,478
Dividends payable		61,237	–
Borrowings	14	782,000	719,000
		<b>12,141,148</b>	10,925,194
<b>Total liabilities</b>		<b>12,341,500</b>	11,277,699
<b>Total equity and liabilities</b>		<b>18,510,895</b>	17,368,036
<b>Net current assets</b>		<b>3,717,721</b>	3,771,429
<b>Total assets less current liabilities</b>		<b>6,369,747</b>	6,442,842

Approved by the Board of Directors on 28 August 2015 and were signed on its behalf.

**Pang Baogen**  
Director

**Gao Jiming**  
Director

The notes on pages 37 to 54 form an integral part of this condensed consolidated interim financial information.

## Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Revenue	6	9,069,237	9,340,369
Cost of sales		(8,543,561)	(8,744,217)
<b>Gross profit</b>		<b>525,676</b>	596,152
Other income	16	83,430	47,455
Other gains – net	17	5,983	1,690
Selling and marketing costs		(34,172)	(23,981)
Administrative expenses		(201,800)	(195,172)
<b>Operating profit</b>	18	<b>379,117</b>	426,144
Finance costs	19	–	–
Share of loss of joint ventures		(7,862)	(16,004)
Share of loss of associates		(3,146)	(1,381)
<b>Profit before income tax</b>		<b>368,109</b>	408,759
Income tax expense	20	(124,338)	(68,015)
<b>Profit for the period</b>		<b>243,771</b>	340,744
<b>Profit attributable to:</b>			
– Owners of the Company		238,285	331,639
– Non-controlling interests		5,486	9,105
		<b>243,771</b>	340,744
<b>Earnings per share for profit attributable to the owners of the Company</b>			
– Basic and diluted (expressed in RMB per share)	21	<b>0.38</b>	0.51

## Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
<b>Profit for the period</b>	<b>243,771</b>	340,744
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	–	(983)
Transfer of reserves to income statement upon sale of available-for-sale financial assets, net of tax	<b>(1,733)</b>	–
Change in fair value of available-for-sale financial assets, net of tax	<b>3,213</b>	183
<b>Other comprehensive income for the period, net of tax</b>	<b>1,480</b>	(800)
<b>Total comprehensive income for the period</b>	<b>245,251</b>	339,944
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	<b>239,765</b>	330,816
– Non-controlling interests	<b>5,486</b>	9,128
	<b>245,251</b>	339,944

## Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited						
	Attributable to the owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained profits RMB'000	Total RMB'000		
<b>Balance at 1 January 2014</b>	662,964	847,295	139,534	3,857,351	5,507,144	103,010	5,610,154
<b>Comprehensive income</b>							
Profit for the period	–	–	–	331,639	331,639	9,105	340,744
<b>Other comprehensive income</b>							
Transfer of reserves to income statement upon sale of revaluated properties, net of tax	–	–	(983)	–	(983)	–	(983)
Change in fair value of available-for-sale financial assets, net of tax	–	–	160	–	160	23	183
<b>Total comprehensive income for the period</b>	–	–	(823)	331,639	330,816	9,128	339,944
Repurchase and cancellation of shares (Note 11)	(31,220)	(90,762)	–	–	(121,982)	–	(121,982)
Dividends	–	–	–	(63,174)	(63,174)	(756)	(63,930)
<b>Total contributions by and distributions to owners of the Company, recognised directly in equity</b>	(31,220)	(90,762)	–	(63,174)	(185,156)	(756)	(185,912)
Capital contributions made by non-controlling interests	–	–	–	–	–	14,004	14,004
<b>Total changes in ownership interests in subsidiaries that do not result in a loss of control</b>	–	–	–	–	–	14,004	14,004
<b>Total transactions with owners, recognised directly in equity</b>	(31,220)	(90,762)	–	(63,174)	(185,156)	13,248	(171,908)
<b>Balance at 30 June 2014</b>	631,744	756,533	138,711	4,125,816	5,652,804	125,386	5,778,190

## Interim Condensed Consolidated Statement of Changes in Equity (continued)

	Unaudited							
	Attributable to the owners of the Company						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained profits RMB'000	Total RMB'000			
<b>Balance at 1 January 2015</b>	631,744	756,533	145,024	4,442,879	5,976,180	114,157	6,090,337	
<b>Comprehensive income</b>								
Profit for the period	–	–	–	238,285	238,285	5,486	243,771	
<b>Other comprehensive income</b>								
Transfer of reserves to income statement upon sale of available-for-sale financial assets, net of tax	–	–	(1,733)	–	(1,733)	–	(1,733)	
Change in fair value of available-for-sale financial assets, net of tax	–	–	3,213	–	3,213	–	3,213	
<b>Total comprehensive income for the period</b>	–	–	1,480	238,285	239,765	5,486	245,251	
Repurchase and cancellation of shares (Note 11)	(19,372)	(84,868)	–	–	(104,240)	–	(104,240)	
Dividends	–	–	–	(61,237)	(61,237)	(716)	(61,953)	
<b>Total contributions by and distributions to owners of the Company, recognised directly in equity</b>	(19,372)	(84,868)	–	(61,237)	(165,477)	(716)	(166,193)	
<b>Balance at 30 June 2015</b>	612,372	671,665	146,504	4,619,927	6,050,468	118,927	6,169,395	

The notes on pages 37 to 54 form an integral part of this condensed consolidated interim financial information.

## Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		394,363	392,246
Interest paid		(34,912)	(29,912)
Income tax paid		(95,128)	(241,353)
<b>Net cash generated from operating activities</b>		<b>264,323</b>	120,981
<b>Cash flows from investing activities</b>			
Repayment of loans by a joint venture		18,627	–
Acquisition of additional interest in an associate		(13,390)	(1,400)
Proceed from disposal of an associate		15,501	–
Loan to an associate		(6,420)	–
Dividends received from an associate		400	400
Proceed from disposal of a subsidiary		–	4,027
Purchase of available-for-sale financial assets		(7,681)	(102,500)
Proceed from sales of available-for-sale financial assets		77,892	–
Purchase of property, plant and equipment		(81,073)	(130,429)
Proceeds from sale of property, plant and equipment		9,090	6,960
Decrease of term deposits with initial term of over three months		14,938	–
Interest received		82,641	46,768
<b>Net cash generated from/(used in) investing activities</b>		<b>110,525</b>	(176,174)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		742,000	717,000
Repayments of borrowings		(838,000)	(722,435)
Repurchase of shares	11	(104,240)	(121,982)
Capital contributions by non-controlling interests		–	14,004
Loan from non-controlling interests		740	–
Dividends paid to non-controlling interests		(716)	(756)
<b>Net cash used in financing activities</b>		<b>(200,216)</b>	(114,169)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>174,632</b>	(169,362)
Cash and cash equivalents at beginning of the period		2,298,272	2,159,157
<b>Cash and cash equivalents at end of the period</b>		<b>2,472,904</b>	1,989,795

The notes on pages 37 to 54 form an integral part of this condensed consolidated interim financial information.

## Notes to the Condensed Consolidated Interim Financial Information

### 1 GENERAL INFORMATION

Baoye Group Company Limited (the “Company”) was established as a limited liability company in the People’s Republic of China (the “PRC”) and the H shares of the Company (“H Share”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 30 June 2003.

The address of the Company’s registered office is Yangxunqiao Township, Keqiao District Shaoxing City, Zhejiang Province, the PRC.

The principal activities of the Company and its subsidiaries (collectively, the “Group”) are the provision of construction services, development and sale of properties and manufacturing and distribution of building materials in the PRC.

This condensed consolidated interim financial information for the six months ended 30 June 2015 (“Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated.

#### Key events

During the six months ended 30 June 2015, the Company repurchased 19,372,000 H Shares in total, representing approximately 6.89% and 3.07% of the total number of H Shares and total number of issued shares of the Company, respectively. The total amount paid for the said repurchased shares was HKD129,927,000 (equivalent to RMB104,240,000). Pursuant to the provisions of the articles of association of the Company, the 19,372,000 H Shares repurchased by the Company have been cancelled and the registered capital of the Company have been reduced by RMB19,372,000 accordingly. After cancellation of these repurchased H Shares, the total number of issued shares of the Company is 612,372,000 and the registered capital of the Company is RMB612,372,000. Further details are provided in Note 11.

### 2 BASIS OF PREPARATION

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The Interim Financial Information should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2014 (“2014 Financial Statements”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## Notes to the Condensed Consolidated Interim Financial Information (continued)

### 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of 2014 Financial Statements.

New standards, amendments, and interpretations to existing standards effective for the financial year ending 31 December 2015 do not have a material impact on this Interim Financial Information of the Group.

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

### 4 ESTIMATES

The preparation of this Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key factors leading to uncertainty of estimation were the same as those that applied to the 2014 Financial Statements.

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2014 Financial Statements.

There have been no changes in the risk management policies since year end.

### 5.2 Foreign exchange risk, interest rate risk and liquidity risk

Compared to 31 December 2014, there was no material change in the balance of monetary assets and liabilities denominated in foreign currencies such as US dollar ("USD"), Djibouti Franc ("DJF") and etc. as at 30 June 2015. With respect to the interest rate of the bank borrowings as at 30 June 2015, there was no material change compared to that at the end of 2014.

In addition, compared to 31 December 2014, there was no material change in the contractual undiscounted cash out flows for financial liabilities as at 30 June 2015.

### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## Notes to the Condensed Consolidated Interim Financial Information (continued)

**5 FINANCIAL RISK MANAGEMENT** (continued)**5.3 Fair value estimation** (continued)

The following tables present the Group's financial assets that are measured at fair value at 30 June 2015 and 31 December 2014. See Note 7 for disclosures of the investment properties that are measured at fair value.

	As at 30 June 2015			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Available-for-sale financial assets				
– Equity securities	11,291	–	2,670	13,961
– Bank financial products	–	–	98,000	98,000
	11,291	–	100,670	111,961

	As at 31 December 2014			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Available-for-sale financial assets				
– Equity securities	9,318	–	2,670	11,988
– Bank financial products	–	–	165,900	165,900
	9,318	–	168,570	177,888

During the period, there were no reclassifications of financial assets, as well as no transfer among Levels 1, 2 and 3.

There were no other changes in valuation techniques during the period.

## 5 FINANCIAL RISK MANAGEMENT (continued)

### 5.3 Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2015.

	Equity securities RMB'000	Bank financial products RMB'000	Total RMB'000
Opening balance	2,670	165,900	168,570
Addition	–	7,681	7,681
Disposal	–	(77,892)	(77,892)
Fair value gain recognised in other comprehensive income	–	2,311	2,311
Closing balance	2,670	98,000	100,670

The following table presents the changes in level 3 instruments for the six months ended 30 June 2014.

	Equity securities RMB'000	Bank financial products RMB'000	Total RMB'000
Opening balance	5,340	–	5,340
Addition	–	102,500	102,500
Fair value gain recognised in other comprehensive income	–	190	190
Closing balance	5,340	102,690	108,030

### 5.4 Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purpose, including Level 3 fair values. The financial department reports directly to the directors. Discussions of valuation results are held between the directors and the financial department at least once every six months, in line with the Group's interim and annual reporting dates.

### 5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of financial assets and liabilities measured at amortised cost approximates their carrying amounts.

## Notes to the Condensed Consolidated Interim Financial Information (continued)

**6 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 joint ventures from the operating segments. Other information provided to the executive directors is measured in a manner consistent with that in the financial statements. There has been no change in the basis of the segmentation or in the basis of the measurement of the segment profit or loss for the six months ended 30 June 2015 compared to 2014.

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 2015 is as follows:

	Six months ended 30 June 2015				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Total revenue	8,072,460	397,115	1,004,473	67,257	9,541,305
Inter-segment revenue	(398,453)	–	(66,473)	(7,142)	(472,068)
<b>Revenue (from external customers)</b>	<b>7,674,007</b>	<b>397,115</b>	<b>938,000</b>	<b>60,115</b>	<b>9,069,237</b>
<b>Operating profit</b>	<b>273,867</b>	<b>59,866</b>	<b>44,963</b>	<b>421</b>	<b>379,117</b>
Depreciation	13,749	3,090	25,322	15,727	57,888
Amortisation	3,387	–	1,811	1,303	6,501
Impairment of receivables	110	–	408	–	518
Share of loss of joint ventures	–	7,603	259	–	7,862
Share of loss of associates	–	–	3,146	–	3,146
Income tax expense	73,650	38,566	10,686	1,436	124,338

## 6 SEGMENT INFORMATION (continued)

The unaudited segment information provided to executive directors for the reportable segments for the six months ended 30 June 2014 is as follows:

	Six months ended 30 June 2014				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Total revenue	7,959,504	810,702	1,139,855	59,837	9,969,898
Inter-segment revenue	(451,765)	–	(178,059)	295	(629,529)
<b>Revenue (from external customers)</b>	<b>7,507,739</b>	<b>810,702</b>	<b>961,796</b>	<b>60,132</b>	<b>9,340,369</b>
<b>Operating profit</b>	<b>226,034</b>	<b>155,838</b>	<b>38,674</b>	<b>5,598</b>	<b>426,144</b>
Depreciation	12,893	3,126	25,095	14,699	55,813
Amortisation	2,979	–	1,249	2,302	6,530
Impairment of receivables	3,344	–	7,500	–	10,844
Share of loss of joint ventures	–	13,460	2,544	–	16,004
Share of loss of associates	–	–	1,381	–	1,381
Income tax expense	41,924	9,683	12,747	3,661	68,015

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

There has been no material change in total assets and total liabilities from the amount disclosed in the 2014 Financial Statements.

## Notes to the Condensed Consolidated Interim Financial Information (continued)

**7 LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND GOODWILL**

	Land use rights RMB'000	Property, plant and equipment RMB'000	Investment properties RMB'000	Goodwill RMB'000
<b>Six months ended 30 June 2014</b>				
<b>Opening net book amount</b>				
as at 1 January 2014	556,586	1,185,751	560,013	16,534
Additions	–	128,148	–	–
Disposal of subsidiaries	–	(3,797)	–	–
Disposals	–	(5,743)	–	–
Amortisation/depreciation	(6,530)	(55,813)	–	–
Closing net book amount as at 30 June 2014	550,056	1,248,546	560,013	16,534
<b>Six months ended 30 June 2015</b>				
<b>Opening net book amount</b>				
as at 1 January 2015	536,240	1,234,450	596,583	16,534
Additions	–	80,856	–	–
Disposals	–	(11,727)	–	–
Amortisation/depreciation	(6,501)	(57,888)	–	–
<b>Closing net book amount as at 30 June 2015</b>	<b>529,739</b>	<b>1,245,691</b>	<b>596,583</b>	<b>16,534</b>

The valuations of investment properties at 30 June 2015, 30 June 2014 and 31 December 2014 were carried out by the management, using discounted cash flow projections based on significant unobservable inputs. The fair value measurement of the investment properties is categorised within level 3 of the fair value hierarchy. The key assumptions used in the valuation are rental cash inflows, capitalisation rates and discount rates.

There was no indication of impairment for non-financial assets during the period.

**8 DUE FROM/(TO) CUSTOMERS ON CONSTRUCTION CONTRACTS**

	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000
Contract costs incurred plus recognised profits (less recognised losses) to date	<b>58,048,075</b>	56,539,559
Less: progress billings to date	<b>(57,026,219)</b>	(55,769,311)
	<b>1,021,856</b>	770,248
Represented by:		
Due from customers on construction contracts	<b>3,024,130</b>	2,569,726
Due to customers on construction contracts	<b>(2,002,274)</b>	(1,799,478)
	<b>1,021,856</b>	770,248

**9 TRADE RECEIVABLES**

	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000
Trade receivables	<b>1,413,759</b>	1,457,083
Less: provision for doubtful debts	<b>(61,706)</b>	(61,188)
	<b>1,352,053</b>	1,395,895

Generally, customers are granted credit terms of 1 to 3 months for construction business, 1 to 12 months for building materials business and no credit terms for property development business (except for instalment arrangement for certain villa and town house projects).

## Notes to the Condensed Consolidated Interim Financial Information (continued)

**9 TRADE RECEIVABLES** (continued)

The ageing analysis of the trade receivables is as follows:

	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000
Within 3 months	<b>560,931</b>	532,215
3 months to 1 year	<b>477,898</b>	493,637
1 to 2 years	<b>185,374</b>	250,280
2 to 3 years	<b>95,086</b>	92,145
Over 3 years	<b>94,470</b>	88,806
	<b>1,413,759</b>	1,457,083

**10 OTHER RECEIVABLES AND PREPAYMENTS**

	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000
Prepayments for land use rights for properties development	<b>1,239,372</b>	1,041,091
Retention money and project deposits	<b>969,090</b>	1,067,770
Other prepayments	<b>82,469</b>	65,240
Others	<b>412,885</b>	418,313
	<b>2,703,816</b>	2,592,414

## 11 SHARE CAPITAL AND PREMIUM

	Number of shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Opening balance 1 January 2015				
– Domestic shares	350,742	350,742	–	350,742
– H shares	281,002	281,002	756,533	1,037,535
	631,744	631,744	756,533	1,388,277
Repurchase of shares				
– H shares	(19,372)	(19,372)	(84,868)	(104,240)
At 30 June 2015				
– Domestic shares	350,742	350,742	–	350,742
– H shares	261,630	261,630	671,665	933,295
	612,372	612,372	671,665	1,284,037

## Notes to the Condensed Consolidated Interim Financial Information (continued)

## 11 SHARE CAPITAL AND PREMIUM (continued)

	Number of shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Opening balance 1 January 2014				
– Domestic shares	350,742	350,742	–	350,742
– H shares	312,222	312,222	847,295	1,159,517
	662,964	662,964	847,295	1,510,259
Repurchase of shares				
– H shares	(31,220)	(31,220)	(90,762)	(121,982)
At 30 June 2014				
– Domestic shares	350,742	350,742	–	350,742
– H shares	281,002	281,002	756,533	1,037,535
	631,744	631,744	756,533	1,388,277

After the repurchase of H shares mentioned in key events in Note 1, as at 30 June 2015, the registered, issued and fully paid capital of the Company was RMB612,372,000 divided into 612,372,000 shares of RMB1.00 each, comprising 350,742,000 domestic shares and 261,630,000 H shares.

As at 31 December 2014, the registered, issued and fully paid capital of the Company was RMB631,744,000 divided into 631,744,000 shares of RMB1.00 each, comprising 350,742,000 domestic shares and 281,002,000 H shares.

## 12 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
<b>Six months ended 30 June 2014</b>					
Balance as at 1 January 2014	1,528	2,446	147,036	(11,476)	139,534
Transfer of reserves to income statement upon sale of revaluated properties	(983)	–	–	–	(983)
Revaluation of available-for-sale financial assets	–	214	–	–	214
Revaluation – tax	–	(54)	–	–	(54)
Balance as at 30 June 2014	545	2,606	147,036	(11,476)	138,711

	Available-for- sale financial assets reserve RMB'000	Statutory surplus reserve RMB'000	Others RMB'000	Total RMB'000
<b>Six months ended 30 June 2015</b>				
Balance as at 1 January 2015	5,487	147,036	(7,499)	145,024
Transfer of reserves to income statement upon sale of available-for-sale financial assets	(2,311)	–	–	(2,311)
Transfer of reserves to income statement upon sale of available-for-sale financial assets – tax	578	–	–	578
Revaluation of available-for-sale financial assets	4,284	–	–	4,284
Revaluation – tax	(1,071)	–	–	(1,071)
Balance as at 30 June 2015	6,967	147,036	(7,499)	146,504

## Notes to the Condensed Consolidated Interim Financial Information (continued)

**13 TRADE PAYABLES**

The ageing analysis of the trade payables is as follows:

	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000
Within 3 months	<b>707,276</b>	820,598
3 months to 1 year	<b>682,704</b>	957,403
1 to 2 years	<b>433,391</b>	356,650
2 to 3 years	<b>174,756</b>	136,976
Over 3 years	<b>149,707</b>	145,517
	<b>2,147,834</b>	2,417,144

**14 BORROWINGS**

	<b>30 June 2015 RMB'000</b>	31 December 2014 RMB'000
<b>Non-current liabilities</b>		
Long-term bank borrowings		
– Secured (Note (a))	<b>130,000</b>	289,000
<b>Current liabilities</b>		
Short-term bank borrowings		
– Secured (Note (a))	<b>35,000</b>	12,000
– Unsecured with guarantee (Note (b))	<b>185,000</b>	205,000
– Guarantee by the companies within the Group	<b>562,000</b>	502,000
	<b>782,000</b>	719,000
	<b>912,000</b>	1,008,000

**14 BORROWINGS** (continued)

Movement in borrowings is analysed as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Opening amount as at 1 January	1,008,000	1,000,388
Addition of borrowings	742,000	717,000
Repayment of borrowings	(838,000)	(722,435)
Closing amount as at 30 June	912,000	994,953

(a) As at 30 June 2015, secured bank borrowings of the Group were secured by:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Properties under development	743,629	921,968
Land use rights	36,365	–
Property, plant and equipment	16,067	–
	796,061	921,968

(b) These loans are jointly guaranteed by Mr. Pang Baogen and the Company. Mr. Pang Baogen is the chairman of the Board of Directors, as well as a major shareholder of the Company.

All the carrying amounts of bank borrowings are denominated in RMB. The weighted average effective annual interest rate of bank borrowings at 30 June 2015 was 5.58% (as at 31 December 2014: 5.85%).

**15 RECEIPTS IN ADVANCE**

The receipts in advance mainly represent proceeds from pre-sale of the properties.

**16 OTHER INCOME**

Other income represents finance income from bank deposits and loans to project managers.

## Notes to the Condensed Consolidated Interim Financial Information (continued)

**17 OTHER GAINS – NET**

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Gains on disposal of an associate	4,178	–
Gains on disposals of available-for-sale financial assets	2,311	–
Government grants and compensation	1,657	950
(Losses)/gains on disposals of property, plant and equipment	(2,637)	1,217
Others	474	(477)
	<b>5,983</b>	1,690

**18 OPERATING PROFIT**

The following items have been charged to operating profit during the period.

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Depreciation of property, plant and equipment	57,888	55,813
Amortisation of land use rights	6,501	6,530
Employee benefit expenses	2,157,864	2,174,565
Cost of construction contracts	5,435,099	5,255,869
Cost of properties sold	260,642	612,664
Changes in inventories of finished goods and work in progress	(22,256)	515
Raw materials and consumables used	780,493	766,700
Compensation for property buyers and employees	5,728	–
Operating leases of buildings	2,426	4,580

## 19 FINANCE COSTS

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interest on borrowings wholly repayable within five years	34,912	29,912
Less: interest capitalised in properties under development	(34,912)	(29,912)
	–	–

## 20 INCOME TAX EXPENSE

During the period, the Group is subject to the same types of income taxes as those disclosed in 2014 Financial Statements.

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current income tax		
– PRC Corporate Income Tax	86,572	133,026
– Land appreciation tax:		
– Provision for the period	33,063	11,162
– Overprovision in previous years	–	(78,746)
Deferred income tax, net	4,703	2,573
	124,338	68,015

## Notes to the Condensed Consolidated Interim Financial Information (continued)

**21 EARNINGS PER SHARE**

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

	Six months ended 30 June	
	2015	2014
Profit attributable to the owners of the Company (RMB'000)	<b>238,285</b>	331,639
Weighted average ordinary shares in issue during the period (thousands shares)	<b>626,309</b>	654,366
Basic earnings per share (RMB)	<b>0.38</b>	0.51

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

**22 DIVIDENDS**

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil). A final dividend of RMB0.1 per ordinary share for 2014, was paid on 22 July 2015. Total payment in 2015 for 2014 final dividend was RMB61,237,000.

**23 FINANCIAL GUARANTEES**

	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	<b>122,742</b>	85,438

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 banks as securities.

**24 RELATED-PARTY TRANSACTIONS**

The balance of loan to a joint venture as at 30 June 2015 was unsecured, non-interest bearing and the Group has no immediate intention to withdraw the advances within one year.

During the period, the Group made additional advances to an associate in the sum of approximately RMB6,420,000. The balance of advances as at 30 June 2015 was unsecured and repayable on demand without a pre-determined maturity date, interest bearing at 4% per annum (31 December 2014: 4%).

Apart from those related party transactions disclosed above and in Note 14(b), the Group had no other significant related party transactions during the six months ended 30 June 2015.

# DEFINITIONS

In this interim report, unless the context otherwise requires, the following expressions have the following meanings:

Anhui Baoye	Baoye Anhui Company Limited, a subsidiary of the Company
Baoye Construction	Zhejiang Baoye Construction Group Company Limited, a subsidiary of the Company
Baoye Industrialisation	Zhejiang Baoye Building Materials Industrialisation Company Limited, a subsidiary of the Company
Baoye Real Estate	Zhejiang Baoye Real Estate Group Company Limited, a subsidiary of the Company
Board	the board of Directors
Building materials business	the activities of research and development, production and sale of building materials conducted by the Group
Company Law	the Company Law of the People's Republic of China
Construction business	the activities of undertaking and implementation of construction projects conducted by the Group
Director(s)	the director(s) of the Company
H share	Overseas listed foreign share of nominal value RMB1.00 each in the registered capital of the Company, which are listed on the Stock Exchange and subscribed for in Hong Kong dollars
HKEX	Hong Kong Exchanges and Clearing Limited
HKFRS	Hong Kong Financial Reporting Standards
Hubei Baoye	Baoye Hubei Construction Group Company Limited, a subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
Property development business	the activities of development of real estate conducted by the Group
SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong

Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
The Company/Baoye	Baoye Group Company Limited, a joint stock limited company incorporated in the PRC and listed on the main board of the Stock Exchange
The Group/Baoye Group	the Company and its subsidiaries
The Period	the six months ended 30 June 2015