



BAOYE GROUP COMPANY LIMITED

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

Stock Code: 2355



Let the Building 2016 take a Deep Breath

Interim Report

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"
- Shaoxing "Xin Qiaojiang Project"
- Wuhan "Baoye Guanggu Lidu"
- Wuhan "Baoye Centre"
- Shanghai "Baoye Ido"
- Shanghai "Baoye Wanhuacheng"
- Shanghai "Baoye Centre"
- Bozhou "Baoye Xiaoyao Luyuan"
- Bengbu "Baoye Xuefu Luyuan"
- Taihe "Baoye City Green Garden"
- Kaifeng "Baoye Longhu Yucheng"

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 | Bengbu | Taihe | Kaifeng

Building Materials Business

Zhejiang Building Materials Industrial Park | Anhui Building Materials Industrial Park
Hubei Building Materials Industrial Park | Shanghai 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
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Post Code: 518001

Legal Advisers As to Hong Kong law

Kwok Yih & Chan
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9 Queen's Road Central,
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As to PRC law

Fenxun Partners
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H Share Registrar

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

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Zhejiang Province, the PRC
Tel: 86 575 84882990
Post Code: 312028

Headquarter Address

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Authorised Representatives

Mr. Pang Baogen
Mr. Gao Jiming

Stock Code

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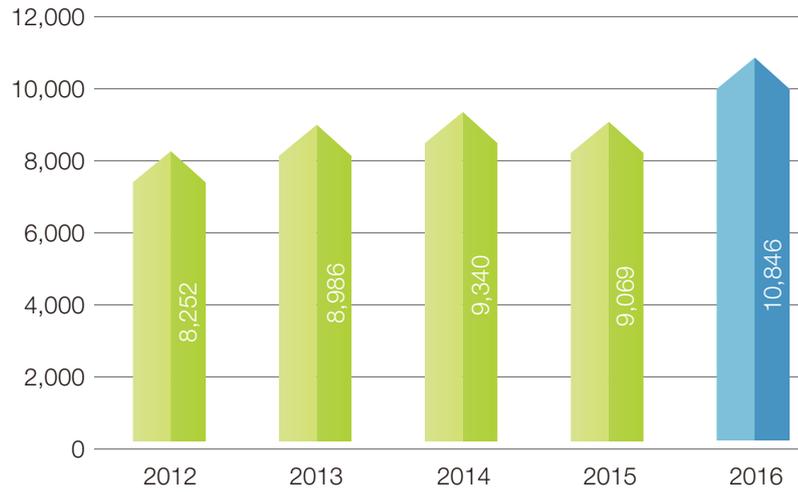
Website

www.baoyegroup.com

Financial Highlights

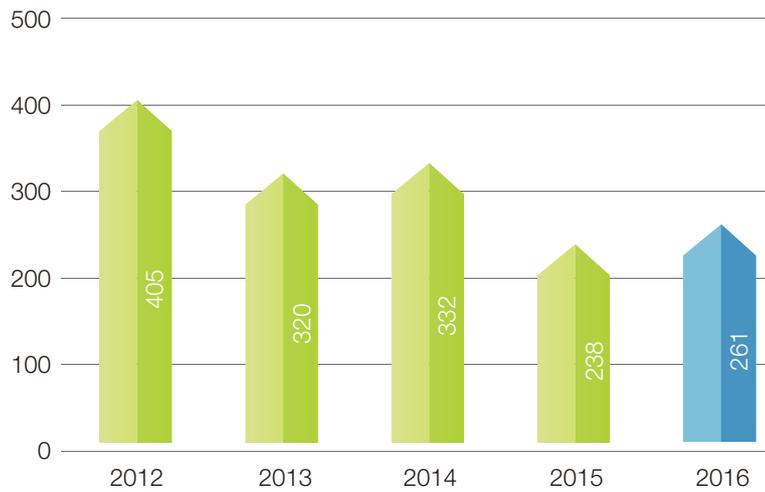
Revenue

(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)

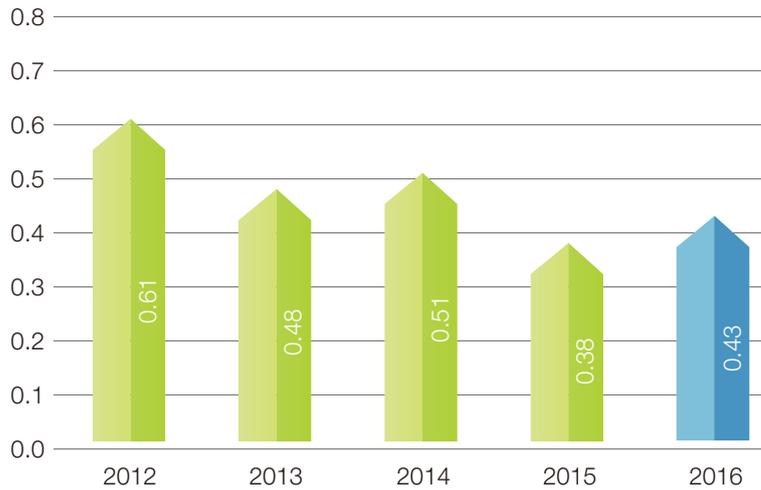


Financial Highlights

Earnings per Share

(in RMB)

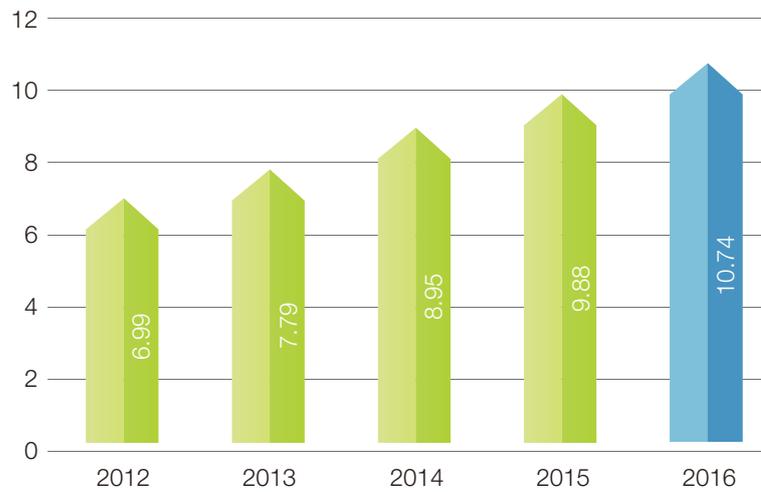
(For the six months ended 30 June)



Net Assets Value per Share

(in RMB)

(As at 30 June)



Financial Highlights

	For the six months ended 30 June				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Results					
Revenue	10,845,641	9,069,237	9,340,369	8,986,100	8,252,261
Profit Attributable to the Owners of the Company	261,025	238,285	331,639	320,154	405,322
Earnings per Share (RMB)	0.43	0.38	0.51	0.48	0.61
As at 30 June					
Assets and Liabilities					
Total Assets	21,029,884	18,510,895	16,643,085	14,283,288	12,996,376
Total Liabilities	14,295,060	12,341,500	10,864,895	9,022,453	8,270,694
Total Equity	6,734,824	6,169,395	5,778,190	5,260,835	4,725,682

Key Financial Ratios

	As at 30 June	
	2016	2015
Return on Equity	4.0%	3.9%
Net Assets Value per Share (RMB)	10.74	9.88
Net Cash Ratio	45%	29.8%
Current Ratio	1.30	1.31
Cash Inflow from Operating Activities (RMB'000)	277,993	264,323



Management Discussion and Analysis



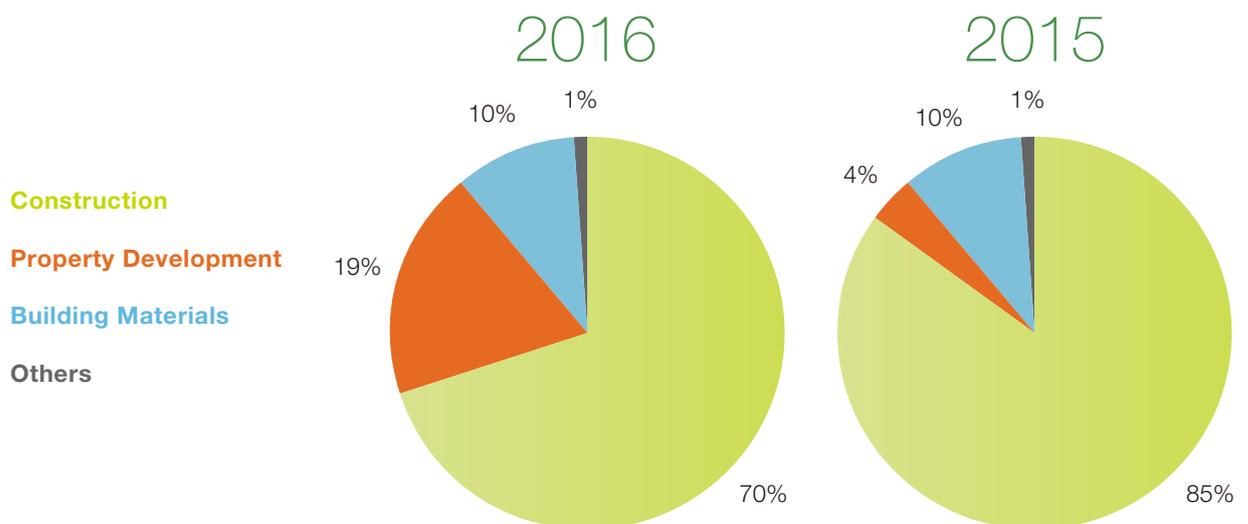
Management Discussion and Analysis

Results Review

For the six months ended 30 June 2016, the Group achieved a consolidated revenue of approximately RMB10,845,641,000, representing an increase of approximately 20% from the corresponding period last year; operating profit amounted to approximately RMB405,854,000, representing an increase of approximately 7% as compared with the corresponding period last year; profit attributable to the owners of the Company amounted to approximately RMB261,025,000, representing an increase of approximately 10% compared to the same period last year; earnings per share was RMB0.43, representing an increase of approximately 13% compared to the same period last year. During the period, China's macro-economy remains bleak, construction business registered a significant downturn in operating profit compared with corresponding period last year. However, this negative impact was largely offset by the contribution from the sale of Baoye Wanhucheng property project which contributed a total revenue (before deduction of sales tax and related levies) of approximately RMB1,492,569,000 on sale of gross floor area of 95,812 square metres, thus leading to a steady growth of both revenue and operating profit on a group basis.

Revenue

	For the six months ended 30 June				Change
	2016		2015		
	RMB'000	% of total	RMB'000	% of total	
Construction	7,629,163	70%	7,674,007	85%	-1%
Property Development	2,095,517	19%	397,115	4%	428%
Building Materials	1,054,014	10%	938,000	10%	12%
Others	66,947	1%	60,115	1%	11%
Total	10,845,641	100%	9,069,237	100%	20%



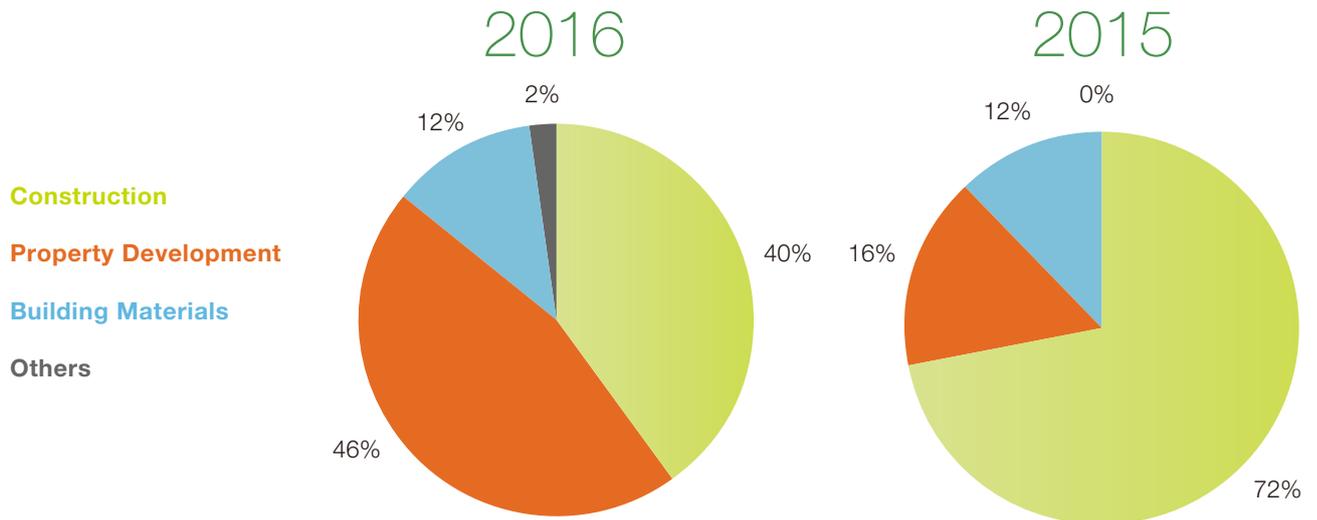
Management Discussion and Analysis



Operating Profit

	For the six months ended 30 June				Change
	2016		2015		
	RMB'000	% of total	RMB'000	% of total	
Construction	161,110	40%	273,867	72%	-41%
Property Development	187,067	46%	59,866	16%	212%
Building Materials	49,226	12%	44,963	12%	9%
Others	8,451	2%	421	0%	1,907%
Total	405,854	100%	379,117	100%	7%

Management Discussion and Analysis



Construction Business

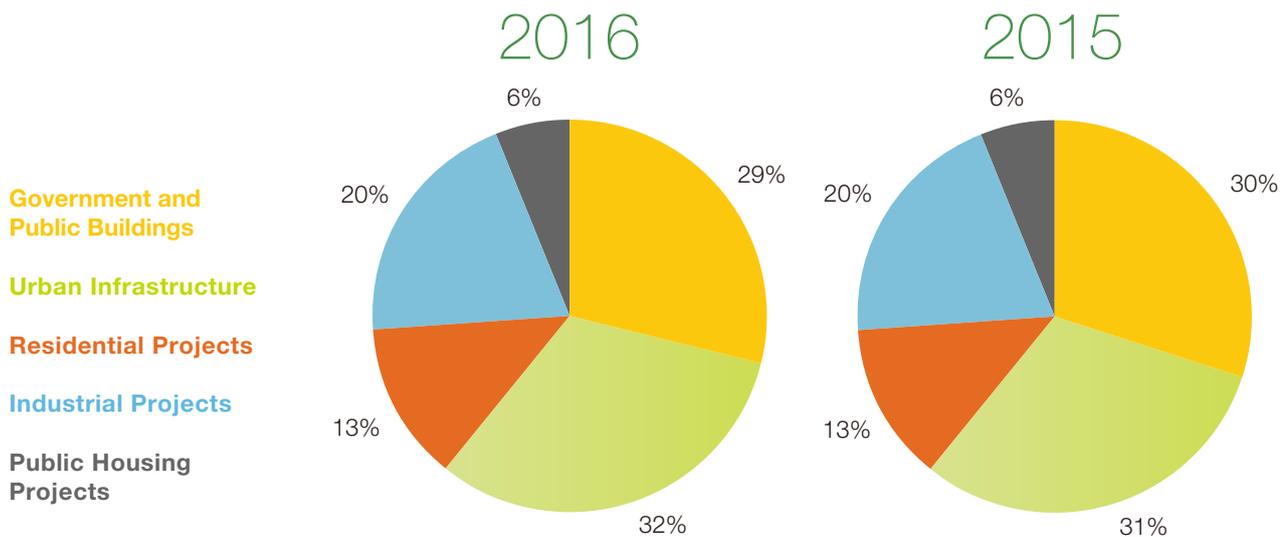
For the six months ended 30 June 2016, the Group's construction business achieved a revenue of approximately RMB7,629,163,000, comparatively the same level with the same period last year; operating profit amounted to approximately RMB161,110,000, representing a significant decrease of approximately 41% compared to the same period last year. During the period, the Chinese economy was still in the process of recovery with reduced investments in property, manufacturing and infrastructural development, competition in the construction business intensifies. When bidding for construction projects, industry players had to slash their operating margins to secure more business for survival. During this difficult time, survival is the key.

Management Discussion and Analysis

As at 30 June 2016, the Group's accumulated recognized revenue for the construction contracts under construction in-progress amounted to approximately RMB62,084,564,000, representing an increase of approximately 7% as at 30 June 2015. The accumulated recognized revenue for the construction contracts under construction in-progress is analysed below:

By project nature:

	As at 30 June				Change
	2016		2015		
	RMB'000	% of total	RMB'000	% of total	
Government and Public Buildings	18,283,904	29%	17,211,254	30%	6%
Urban Infrastructure	19,705,641	32%	18,192,267	31%	8%
Residential Projects	7,909,573	13%	7,685,565	13%	3%
Industrial Projects	12,261,701	20%	11,406,447	20%	7%
Public Housing Projects	3,923,745	6%	3,552,542	6%	10%
Total	62,084,564	100%	58,048,075	100%	7%

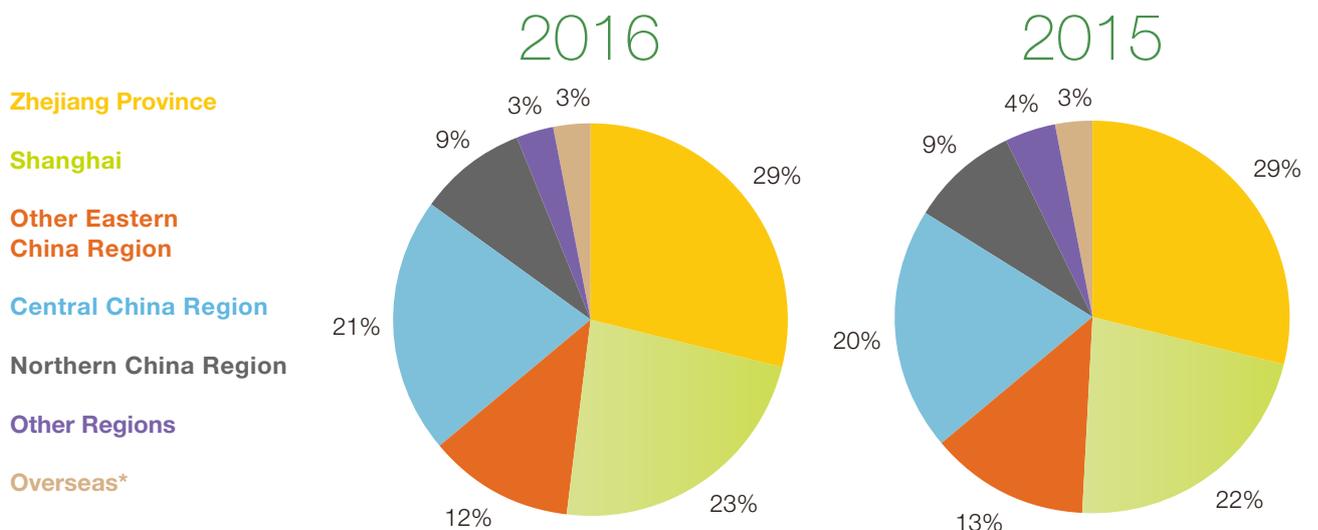


Management Discussion and Analysis

By region:

	As at 30 June				Change
	2016		2015		
	RMB'000	% of total	RMB'000	% of total	
Zhejiang Province	18,290,113	29%	16,636,578	29%	10%
Shanghai	14,093,196	23%	12,973,745	22%	9%
Other Eastern China Region	7,630,193	12%	7,668,151	13%	0%
Central China Region	12,801,837	21%	11,621,225	20%	10%
Northern China Region	5,544,152	9%	5,491,869	9%	1%
Other Regions	2,160,543	3%	2,136,169	4%	1%
Overseas*	1,564,530	3%	1,520,338	3%	3%
Total	62,084,564	100%	58,048,075	100%	7%

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



Management Discussion and Analysis

During the period, as China's business tax was replaced by value-added tax system. This change has deepened and steadfast the reform in the construction industry from 2015, and the downward trend in construction industry has been spillover into 2016. The Group always adopts a prudent operating principle, insisted on selecting projects to reduce risks. During the period, the Group has secured new construction contracts amounted to approximately RMB8.7 billion (corresponding period of 2015: RMB7.4 billion) in value, representing an increase of approximately 18% compared to the same period last year, including projects such as Hangzhou Normal University in Cangqian District, Xinggang Plaza in Henan Province, Niushan Project in Lucheng District, Wenzhou City and Fujian Commercial Headquarter Building, and etc.

Property Development Business

Property Sales

For the six months ended 30 June 2016, the revenue of the Group's property development business amounted to approximately RMB2,095,517,000 (revenue before deductions of sales tax and related levies was approximately RMB2,228,783,000), representing a significant increase of approximately 428% from the same period last year. Operating profit amounted to approximately RMB187,067,000, representing a significant increase of approximately 212% compared to the same period last year. During the period, with the inclusion of recognised revenue for the Baoye Wanhua Cheng property project, having an aggregate sale area of 95,812 square metres, in the sum of approximately RMB1,492,569,000 (before deduction of sales tax and related levies), the Group's property development business achieved a substantial increase in both revenue and operating profit compared to the same period last year.

During the period, revenue (before deduction of sales tax and related levies) 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 Wanhua Cheng	Shanghai	15,578	95,812	1,492,569
Baoye Mengdie Luyuan	Mengcheng, Anhui	4,401	106,354	468,012
Baoye Guanggu Lidu	Wuhan, Hubei	10,208	10,170	103,811

For the six months ended 30 June 2016, the Group's property development business achieved a contract sales value of approximately RMB1.32 billion with a total contract sales area of approximately 152,000 square metres.

Management Discussion and Analysis

Projects under Development

As at 30 June 2016, 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 Zhejiang	447,000	100%
Shaoxing Xin Qiaojiang Project	Shaoxing Zhejiang	136,000	100%
Baoye Guanggu Lidu	Wuhan Hubei	32,191	100%
Hubei Baoye Centre	Wuhan Hubei	88,000	100%
Baoye Wanhuacheng	Shanghai	89,550	100%
Shanghai Baoye Centre	Shanghai	27,000	100%
Baoye Ido	Shanghai	88,000	100%
Baoye Xiaoyao Luyuan	Bozhou Anhui	131,000	50%
Baoye Xuefu Luyuan	Bengbu Anhui	199,700	63%
Baoye Taihe City Green Garden	Taihe Anhui	420,000	55%
Baoye Longhu Yucheng Phase I	Kaifeng Henan	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, Run Garden Phase I and Phase II have almost been sold out. Xi Garden, Jing Garden and Fu Garden are under pre-sale.

Baoye Xin Qiaojiang Project is located in Beihai community, Yuecheng District, the west of Shaoxing City, supported by convenient transportation, well developed community facility and school resources. The project has a site area of approximately 41,158 square metres and an estimated gross floor area of approximately 136,000 square metres, aiming to be developed as a 14 high-rise buildings project with river view, of which 4 buildings will be constructed by adoption of PC-manufacture methodology according to plan. The project is expected to begin pre-sale in the first half year of 2017 and to begin delivery at the end of 2018.

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. 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 had started the delivery in the second half year of 2015, phase II will be delivered in the second half of 2016, phase III is expected to be delivered in 2017.

Management Discussion and Analysis

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 has begun in the second half of 2015 and is expected to be completed at the end of 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 and an estimated saleable area of approximately 186,000 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. A total of approximately 95,812 square metres has been delivered to owners in the first half year of 2016.

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 was under interior decoration and external wall furnishing. It is expected that this project will be completed at the end of 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 88,000 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 Xiaoyao Luyuan, located in new district of south of Mengcheng County, Bozhou City, Anhui Province, has a total site area of approximately 131,000 square metres comprising of semi-detached villas, garden house, high-rise residential and commercial buildings, which will be developed as a new district centre featuring its refined distinctive, classy, fashionable and diversify characters. The construction has been started in November 2015 and will be completed in 2017.

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, of which phase I approximately 96,560 square metres is expected to be delivered to owners in 2017.

Baoye Taihe City Green Garden is located in Taihe County, Anhui Province with a total gross floor area of 420,000 square metres, comprising of unique and niche residential units, elegance shopping arcade, an international bilingual kindergarten and high-end swimming pool facilities. Personalized and scientific design in dividing motor vehicle flow and pedestrian flow enable residents to enjoy quality and comfortable living. The project is closed to an eco-friendly park and rich community facilities, which sets the new generation in the city. The phase I has begun pre-sale in 2015.

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 648,000 square metres and an estimated gross floor area of approximately 972,000 square metres. After completion, it will become the city's new business centre and leisure centre. The project is being developed in 5 phases, of which, phase I has been under pre-sale in 2014 and 9 multi-story buildings have been delivered to owners in 2015.

Management Discussion and Analysis

Land Reserve

During the period, the Group has acquired no additional land reserves. 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 2016, the revenue of the Group's building materials business was approximately RMB1,054,014,000, representing an increase of approximately 12% over the same period last year; operating profit was approximately RMB49,226,000, representing an increase of approximately 9% over the same period last year.

The revenue breakdown of the Group's building materials for the six months ended 30 June 2016 is analysed below:

	For the six months ended 30 June				Change
	2016		2015		
	RMB'000	% the total	RMB'000	% the total	
Curtain Wall	651,495	62%	482,901	51%	35%
Furnishings and Interior Decorations	150,418	14%	144,167	15%	4%
Ready-mixed Concrete	119,650	11%	172,386	18%	-31%
Steel Structure	51,878	5%	104,319	11%	-50%
Wooden Products and Fireproof Materials	46,608	4%	14,366	2%	224%
Others	33,965	4%	19,861	3%	71%
Total	1,054,014	100%	938,000	100%	12%

During the period, main sectors of the Group's building materials business maintained steady growth both in revenue and operating profit, mainly due to the declining prices of the raw materials. Zhejiang Baoye Curtain Wall Decoration Company Limited made great contribution and it secured some high-end projects of Ningbo International Trade Expo Centre, Ningbo Greenland Centre and Vanke Yihai City.

During the period, the Group's housing industrialization business achieved great development. Shanghai Qingpu Housing Industrialization Factory has formally started production and secured orders over RMB100 million from large property developers. Shanghai Prefa Housing Industrialization Company has finished production testing. Both of which will contribute to the housing industrialization development in Shanghai. Additionally, in Quzhou City, Zhejiang Province, another housing industrialization factory invested by Baoye Group and Hongshi Group is under construction. In Mengcheng county, the first PC factory in the north of Anhui Province is under construction and will provide related products within a coverage of about 200 kilometres. In Shaoxing, the Group secured PC Projects like Qujiang Science and Innovation Centre, Baoye Innovation Pioneering Park and Hangzhou Normal University. During the period, a total of five projects, Baoye Ido, Shanghai Qingpu Housing Industrialization base, Baoye Modern Construction Industrialization Company, Binhu Run Garden Phase II and China Textile CBD are honorably selected as "2016 Science and Technology Projects Plan – Prefabricated Construction Pilot Projects" by the Ministry of Housing and Rural-urban Development of the PRC.

Management Discussion and Analysis

Business Prospect

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

The China construction industry, with a low level market entry threshold, has enormous number of enterprises and has provided sizable career employment opportunity. The market has a board prospect but is also accompanied with fierce competition and its development is much related to the fixed asset investment in the community. During the “new regular trend”, all the changes from social and economic development are forcing traditional construction enterprises to adjust business strategy, refine business structure, strengthen risk management and find new market demands timely, thus keeping their competitiveness under the “new regular trend”.

Construction business is always the Group's core business, based on its general operation strategy of prudent, stable and sustainable development and business development ideal of “high value clients, large market and high-end projects”, it will continue to strengthen brand building and improve core competitiveness by seizing new opportunities from traditional industry's transformation and upgrading.

In the future, as one of the first general contractors of EPC project in Zhejiang Province, buoyed by its accumulated and rich experience in intake of BT and EPC projects, the Group will try to expand its market share of EPC projects and make breakthrough on PPP project auction at appropriate times. Meanwhile, the Group will further expand the market of new industrialized construction by advancing the synergistic effect of its three main businesses, as well as a completed value chain advantage to which it possesses.

Property development business contributes substantial profit to the Group

Since the beginning of 2015, the central government has set a task of “slashing inventories”, hence local governments has begun to reduce land supply in the third and fourth tier cites. Reaping on this government policy, many real estate enterprises have acted and responded to it with unprecedented similarities in exploring their businesses. Many leading property developers, including the national enterprises, state-owned enterprises or private enterprises focused their markets in the first and second tier cities, which has led to set new benchmark pricing of lands from time to time in major cities like Beijing, Shanghai and Guangzhou, as well as the second tier cities like Nanjing, Wuhan, Xiamen, Hangzhou and Hefei. However, the upsurge in land prices will definitely further squeeze the real estate developers' profits and increase project risks in due course. Recent government policies in these areas tend to tightening up bank credits for real estate developers.

We believe that in the future, property development must be led by real market demand, in particular the replacement markets. Developers must address the demand and make full use of the internet technology and intelligent technologies. New property development must comprehend its unique features in bridging the needs for tour, retiree, and medication as well as living comfort.

The Group insisted on a prudent and stable policy in property development business though it contributed substantial profit, and refused to take land reserves aimlessly. The Group preserves to choose projects in familiar markets and potential cities after a reasonable assessment and develop individualized products to meet various demands due to the differences existing in regions, city development levels, market expectation and customer preferences.

The real estate industry transformation is also benefited from the comprehensive promotion of construction industrialization. In the future, the Group will maintain its brand image of “quality house built by Baoye” and provide green industrialized buildings by applying project design, manufacture-knowhow technology and advanced construction technology.

Management Discussion and Analysis

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

Housing industrialization is an integrated industry, combining of standardized design, industrialized production, fabricated construction and information management. It is different from the traditional construction industry, which are always divided into several bid sections in the process of construction and bidding. However, in a modernized construction industry, the project's every process need to be monitored by general contractor to realize its upgrade and integration.

Benefitted from the changes in government policies in the industry and increased market demand, as one of the leaders in national housing industrialization construction, the Group's industrialized construction business attained great development during the period. Shanghai housing industrialization factory has begun production and another two PC factories are under construction in Quzhou City, Zhejiang Province and Mengcheng County, Anhui Province. At present, the Group owns six housing industrialization bases and will further set up a regional development network in the housing industrialization business.

In recent years, the Group, acting as the chief standard editor, has participated in compiling more than 30 construction industrialization standard, one of which, sets the first construction industrialization standard in Zhejiang, which will come into effect in September 2016. Meanwhile, relying on the national housing industrialization institute in Shaoxing and the construction industrialization institute in Shanghai, the Group actively cooperate with various institutes and universities, making full use of its integrated advantage to solve the problems arising from the process of construction industrialization development.

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, the Group maintained most of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 14% (corresponding period of 2015: 18%) of the total borrowings. In addition, approximately 24% of the total borrowings (corresponding period of 2015: 20%) 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.

Management Discussion and Analysis

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 2016, the Group has unutilized banking facilities amounting to approximately RMB4 billion. Details of which are analysed below:

	As at 30 June	
	2016	2015
	RMB'000	RMB'000
Cash and cash equivalents	3,130,259	2,472,904
Term deposits with initial term of over three months	27,810	6,096
Restricted bank deposits	176,537	237,156
Less: total borrowings	(373,000)	(912,000)
Net cash	2,961,606	1,804,156
Total equity attributable to the owners of the Company	6,574,474	6,050,468
Net cash ratio	45%	29.8%

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

Other Key Financial Ratios

	As at 30 June	
	2016	2015
Return on equity	4.0%	3.9%
Net assets value per share (RMB)	10.74	9.88
Current ratio	1.30	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, the profit attributable to the owners of the Company achieved approximately RMB261,025,000, representing an increase of approximately 10%, mainly due to the significant increase of revenue and profit of the property development business. The return on equity and net assets value per share recorded a significant increase compared to the same period last year. During the period, the Group has continued to maintain a net cash position, of which the net cash ratio is approximately 45%, an increase of approximately 51% compared to the same period last year, which was mainly due to the refined capital management, a large amount borrowing repayment and the sound pre-sale of property units. The Group's real current ratio should have been much better as the sales receipts from pre-sale properties were accounted for as "receipts in advance" under current liabilities in sum of approximately RMB4,257,271,000. Under normal circumstances, repayment of these advances would not exist, which will be recognized as revenue when sold units are delivered to purchasers.

Management Discussion and Analysis

Cash Flow Analysis

	Note	For the six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Net cash inflow from operating activities	(i)	277,993	264,323
Net cash outflow/inflow from investing activities	(ii)	(186,476)	110,525
Net cash outflow from financing activities	(iii)	(131,316)	(200,216)
Net decrease/increase in cash and cash equivalents		(39,799)	174,632

Note:

- (i) During the period, the net cash inflow from operating activities as approximately RMB277,993,000, an increase of approximately RMB13,670,000, compared to the same period last year, which was mainly attributed by the satisfactory pre-sale performance from the property development business.
- (ii) During the period, the net cash outflow from investing activities was approximately RMB186,476,000, which was mainly attributed by the increased investment in property, plant, equipment and available-for-sale financial assets.
- (iii) During the period, the net cash outflow from financing activities was approximately RMB131,316,000, which was mainly used for the 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 2016, the Group's land appreciation tax amounted to approximately RMB13,952,000.

Administrative Expense

The Group's administrative expense amounted to approximately RMB222,000,000 for the six months ended 30 June 2016 as compared to approximately RMB201,800,000 for the same period last year, representing an increase of 10%. 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 2016, the Group had registered no financing costs in the Group's consolidated income statement, mainly due to the bank borrowings, which were applied for use in properties development and were entirely capitalised.

Management Discussion and Analysis

Financial Guarantee

	30 June 2016 RMB'000	31 December 2015 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	66,848	79,313

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 2016, land use rights, property, plant and equipment and properties under development at a total value of approximately RMB616,049,000 (as at 31 December 2015: RMB10,491,000) 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 2016 (corresponding period of 2015: nil).

Corporate Governance



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 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.

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 breath 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. Mr. Chan Yin Ming, Dennis is 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 2016 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 and Ms. Liang Jing, and one executive Director, namely, Mr. Pang Baogen. Mr. Chan Yin Ming, Dennis is 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 and Ms. Liang Jing, and one executive Director, namely, Mr. Gao Jiming. Mr. Li Wangrong is 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 15 June 2016.

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 2016. 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.

Corporate Governance

Investors Relations

The Company believed that it is 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 30 June 2016, so far as was known to the Directors, the following persons, other than Directors, Supervisors and senior management of the Company, had an interest in the shares of the Company which were recorded in the register required to be kept under the Section 336 of the SFO, or 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 (note 2)	29,304,000	11.20%	4.79%
First Manhattan LLC (note 3)	19,964,000	7.63%	3.26%
First Manhattan Co. (note 3)	19,964,000	7.63%	3.26%
First Beijing Investment (Cayman) Limited (note 3)	19,964,000	7.63%	3.26%
Citigroup Inc. (note 4)	18,026,294	6.88%	2.59%

- Ms. Wu Xueqin is the spouse of Mr. Zhu Yicai. Among these 29,304,000 H shares, 17,106,000 H Shares are held by Top Easy Holding Limited, a company wholly-owned by Ms. Wu Xueqin, while the rest of H shares are held in the capacity of interest of spouse.
- Among these 29,304,000 H shares, 12,198,000 H shares are held by Star Ruby Overseas Ltd, a company wholly-owned by Mr. Zhu Yicai, while the rest of H shares are held in the capacity of interest of spouse.
- First Beijing Investment (Cayman) Limited, through its subsidiaries, held these 19,964,000 H shares in its capacity as investment manager. First Beijing Investment (Cayman) Limited was controlled by First Manhattan Co., which was held as to 10% by First Manhattan LLC. Accordingly, First Manhattan Co. and First Manhattan LLC were deemed to hold interests in these 19,964,000 H shares under the SFO.
- Among these 18,026,294 H shares, 17,984,294 H shares are lending pool, while the rest of H shares are held by its controlled corporations.
- Information disclosed hereby is based on the information available on the website of the Stock Exchange at www.hkex.com.hk.

Other Information

Interests of Directors, Supervisors, Chief Executive and Senior Management

As at 30 June 2016, 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 were required to be (i) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) recorded in 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 the Stock Exchange pursuant to the Model Code, were as follows:

Directors/Supervisors/ Senior Management	Relevant Entity	Capacity	Number of Domestic Shares (Long Position)	Number of H Shares (Long Position)	Approximate Percentage of the Total Registered Capital of the Relevant Entity
Directors					
Mr. Pang Baogen	The Company	Individual	193,753,054	–	31.64%
Mr. Gao Jiming	The Company	Individual	12,059,254	–	1.97%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.56%
Mr. Gao Jun	The Company	Individual	5,794,259	–	0.95%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.40%
Supervisors					
Wang Jianguo	The Company	Individual	5,250,290	–	0.86%
Wang Jianguo	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	8,487,363	–	16.94%
Senior Management					
Mr. Sun Guofan	The Company	Individual	5,328,155	–	0.87%
Mr. Lou Zhonghua	The Company	Individual	4,533,172	–	0.74%
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 in Information of Directors, Supervisors and Chief Executive

During the period under review, there was no change in Information of Directors, Supervisors and chief executive under Rule 13.51B(1) of the Listing Rules.

Other Information

Human Resources

As at 30 June 2016, the Group had a total of approximately 4,400 permanent employees (as at 30 June 2015: 4,071). Also, there were approximately 73,580 indirectly employed construction site workers (as at 30 June 2015: 71,638). These workers were not directly employed by the Group. For the six months ended 30 June 2016, the total employee benefit expenses amounted to approximately RMB2,390,705,000 (the same period in 2015: RMB2,157,864,000). 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, 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 period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

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 the date of this report, the Group did not have any entrusted deposits placed with financial institutions in the PRC. All of the Group's cash and cash equivalents were deposited in commercial banks in accordance with the applicable laws and regulations. The Group had no bank deposits which can't 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
22 August 2016

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 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 2016 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 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 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, 22 August 2016

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Interim Financial Information

Interim Condensed Consolidated Balance Sheet

		Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Land use rights	7	474,383	480,752
Property, plant and equipment	7	1,296,328	1,240,692
Investment properties	7	597,079	597,079
Goodwill	7	16,534	16,534
Investments in joint ventures		50,880	50,573
Loan to a joint venture		–	9,868
Investments in associates		25,511	28,218
Available-for-sale financial assets	5	8,486	9,707
Deferred income tax assets		99,178	74,538
		2,568,379	2,507,961
Current assets			
Inventories		132,164	131,737
Properties under development		4,189,328	4,625,616
Completed properties held for sale		2,442,038	2,390,148
Due from customers on construction contracts	8	2,748,165	3,127,617
Trade receivables	9	2,494,774	1,423,938
Other receivables and prepayments	10	2,266,859	1,710,932
Loans to associates	25	56,171	51,146
Available-for-sale financial assets	5	797,400	624,310
Restricted bank deposits		176,537	188,009
Term deposits with initial term of over three months		27,810	45,419
Cash and cash equivalents		3,130,259	3,170,058
		18,461,505	17,488,930
Total assets		21,029,884	19,996,891
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	612,372	612,372
Share premium	11	671,665	671,665
Reserves	12	183,413	183,436
Retained profits		5,107,024	4,907,177
		6,574,474	6,374,650
Non-controlling interests		160,350	150,922
Total equity		6,734,824	6,525,572

Interim Financial Information

Interim Condensed Consolidated Balance Sheet (continued)

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		70,413	64,821
		70,413	64,821
Current liabilities			
Trade payables	13	3,686,259	2,867,045
Other payables		2,796,372	2,378,957
Receipts in advance	15	4,257,271	5,024,194
Current income tax liabilities		412,490	518,517
Due to customers on construction contracts	8	2,638,077	2,080,785
Dividends payable		61,178	–
Borrowings	14	373,000	537,000
		14,224,647	13,406,498
Total liabilities		14,295,060	13,471,319
Total equity and liabilities		21,029,884	19,996,891

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

Approved by the Board of Directors on 22 August 2016 and were signed on its behalf.

Pang Baogen
Director

Gao Jiming
Director

Interim Financial Information

Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	6	10,845,641	9,069,237
Cost of sales		(10,234,172)	(8,543,561)
Gross profit		611,469	525,676
Other income	16	45,974	83,430
Other gains – net	17	6,251	5,983
Selling and marketing costs		(35,840)	(34,172)
Administrative expenses		(222,000)	(201,800)
Operating profit	18	405,854	379,117
Finance costs	19	–	–
Share of loss of joint ventures		(10,509)	(7,862)
Share of loss of associates		(2,707)	(3,146)
Profit before income tax		392,638	368,109
Income tax expense	20	(135,392)	(124,338)
Profit for the period		257,246	243,771
Profit attributable to:			
– Owners of the Company		261,025	238,285
– Non-controlling interests		(3,779)	5,486
		257,246	243,771
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB per share)	21	0.43	0.38

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

Interim Financial Information

Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit for the period	257,246	243,771
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Transfer of reserves to income statement upon sale of available-for-sale financial assets, net of tax	(8,327)	(1,733)
Change in fair value of available-for-sale financial assets, net of tax	7,411	3,213
Other comprehensive income for the period, net of tax	(916)	1,480
Total comprehensive income for the period	256,330	245,251
Total comprehensive income attributable to:		
– Owners of the Company	260,109	239,765
– Non-controlling interests	(3,779)	5,486
	256,330	245,251

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

Interim Financial Information

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited						Total equity RMB'000
		Attributable to the owners of the Company					Non-controlling interests RMB'000	
		Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained profits RMB'000	Total RMB'000		
Balance at 1 January 2016		612,372	671,665	183,436	4,907,177	6,374,650	150,922	6,525,572
Comprehensive income								
Profit for the period		-	-	-	261,025	261,025	(3,779)	257,246
Other comprehensive income								
Transfer of reserves to income statement upon sale of available-for-sale financial assets, net of tax		-	-	(8,327)	-	(8,327)	-	(8,327)
Change in fair value of available-for-sale financial assets, net of tax		-	-	7,411	-	7,411	-	7,411
Total comprehensive income for the period		-	-	(916)	261,025	260,109	(3,779)	256,330
Transactions with owners in their capacity as owners								
Dividends	22	-	-	-	(61,178)	(61,178)	(900)	(62,078)
Capital contributions by non-controlling interests		-	-	-	-	-	20,000	20,000
Acquisition of additional interest in subsidiary	24	-	-	893	-	893	(5,893)	(5,000)
Total transactions with owners		-	-	893	(61,178)	(60,285)	13,207	(47,078)
Balance at 30 June 2016		612,372	671,665	183,413	5,107,024	6,574,474	160,350	6,734,824

Interim Financial Information

Interim Condensed Consolidated Statement of Changes in Equity (continued)

	Unaudited							
	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Reserves	Retained profits	Total			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2015	631,744	756,533	145,024	4,442,879	5,976,180	114,157	6,090,337	
Comprehensive income								
Profit for the period	–	–	–	238,285	238,285	5,486	243,771	
Other comprehensive income								
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	
Total comprehensive income for the period	–	–	1,480	238,285	239,765	5,486	245,251	
Transactions with owners in their capacity as owners								
Repurchase and cancellation of shares	(19,372)	(84,868)	–	–	(104,240)	–	(104,240)	
Dividends	–	–	–	(61,237)	(61,237)	(716)	(61,953)	
Total transactions with owners	(19,372)	(84,868)	–	(61,237)	(165,477)	(716)	(166,193)	
Balance at 30 June 2015	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 interim financial information.

Interim Financial Information

Interim Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	556,151	394,363
Interest paid	(17,996)	(34,912)
Income tax paid	(260,162)	(95,128)
Net cash generated from operating activities	277,993	264,323
Cash flows from investing activities		
Repayment of loans by a joint venture	35,133	18,627
Acquisition of additional interest in an associate	–	(13,390)
Proceed from disposal of an associate	–	15,501
Loan to an associate	(3,997)	(6,420)
Dividends received from an associate	–	400
Purchase of available-for-sale financial assets	(385,800)	(7,681)
Proceed from sales of available-for-sale financial assets	223,813	77,892
Purchase of property, plant and equipment	(121,749)	(81,073)
Proceeds from sale of property, plant and equipment	3,569	9,090
Decrease of term deposits with initial term of over three months	17,609	14,938
Interest received	44,946	82,641
Net cash (used in)/generated from investing activities	(186,476)	110,525
Cash flows from financing activities		
Proceeds from borrowings	703,000	742,000
Repayments of borrowings	(867,000)	(838,000)
Repurchase of shares	–	(104,240)
Capital contributions by non-controlling interests	20,000	–
Loan from non-controlling interests	18,584	740
Acquisition of non-control interests	(5,000)	–
Dividends paid to non-controlling interests	(900)	(716)
Net cash used in financing activities	(131,316)	(200,216)
Net (decrease)/increase in cash and cash equivalents	(39,799)	174,632
Cash and cash equivalents at beginning of the period	3,170,058	2,298,272
Cash and cash equivalents at end of the period	3,130,259	2,472,904

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

Notes to the 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 interim financial information for the six months ended 30 June 2016 (“Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated.

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 2015 (“2015 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”).

Interim Financial Information

Notes to the Interim Financial Information (continued)

3 Accounting Policies

The accounting policies applied are consistent with those of 2015 Financial Statements, except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

- (a) Amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2016 do not have a material impact on or are not relevant to the Group.
- (b) New and revised standards and amendments to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted:

		Effective for the financial year beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associates or joint venture	To be determined

The Group is yet to assess the impact of the above new and revised standards and amendments to existing standards on the Group's consolidated financial statements.

- (c) 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 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 sources of estimation uncertainty were the same as those that applied to the 2015 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, price risk and interest rate 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 2015 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 2015, there was no material change in the balance of monetary assets and liabilities denominated in foreign currencies such as US dollar and Djibouti Franc as at 30 June 2016. With respect to the interest rate of the bank borrowings as at 30 June 2016, there was no material change compared to that at the end of 2015.

In addition, compared to 31 December 2015, there was no material change in the contractual undiscounted cash out flows for financial liabilities as at 30 June 2016.

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).

Interim Financial Information

Notes to the 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 2016 and 31 December 2015. See Note 7 for disclosures of the investment properties that are measured at fair value.

	As at 30 June 2016			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Available-for-sale financial assets				
– Equity securities	8,486	–	–	8,486
– Bank financial products	–	–	797,400	797,400
	8,486	–	797,400	805,886

	As at 31 December 2015			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Available-for-sale financial assets				
– Equity securities	9,707	–	–	9,707
– Bank financial products	–	–	624,310	624,310
	9,707	–	624,310	634,017

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 2016.

	Bank financial products RMB'000
Opening balance	624,310
Additions	385,800
Disposal	(223,813)
Fair value gain recognised in other comprehensive income	11,103
Closing balance	797,400

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

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 executive directors. Discussions of valuation results are held between the executive 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.

Interim Financial Information

Notes to the 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 consolidated 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 2016 compared to 2015.

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.

Capital expenditure comprises additions to land use right, property, plant and equipment and investment properties (note 7).

The unaudited segment information provided to executive directors for the reportable segments for the six months ended 30 June 2016 is as follows:

	Six months ended 30 June 2016				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Total revenue	8,170,503	2,095,517	1,187,942	78,675	11,532,637
Inter-segment revenue	(541,340)	–	(133,928)	(11,728)	(686,996)
Revenue (from external customers)	7,629,163	2,095,517	1,054,014	66,947	10,845,641
Operating profit	161,110	187,067	49,226	8,451	405,854
Depreciation	15,731	3,484	23,177	10,675	53,067
Amortisation	3,303	–	1,764	1,302	6,369
Impairment of receivables	5,263	–	1,415	–	6,678
Share of loss of joint ventures	–	9,868	641	–	10,509
Share of loss of associates	–	–	2,707	–	2,707
Income tax expense	41,658	74,360	13,416	5,958	135,392

Interim Financial Information

6 Segment Information (continued)

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)
Revenue (from external customers)	7,674,007	397,115	938,000	60,115	9,069,237
Operating profit	273,867	59,866	44,963	421	379,117
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

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 2015 Financial Statements.

Interim Financial Information

Notes to the 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
Six months ended 30 June 2016				
Opening net book amount as at 1 January 2016	480,752	1,240,692	597,079	16,534
Additions	-	121,749	-	-
Disposals	-	(13,046)	-	-
Amortisation/depreciation	(6,369)	(53,067)	-	-
Closing net book amount as at 30 June 2016	474,383	1,296,328	597,079	16,534
Six months ended 30 June 2015				
Opening net book amount 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)	-	-
Closing net book amount as at 30 June 2015	529,739	1,245,691	596,583	16,534

The valuations of investment properties at 30 June 2016 and 30 June 2015 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 significant indication of impairment for non-financial assets during the period.

Interim Financial Information

8 Due from/(to) Customers on Construction Contracts

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contract costs incurred plus recognised profits (less recognised losses) to date	62,084,564	57,284,186
Less: progress billings to date	(61,974,476)	(56,237,354)
	110,088	1,046,832
Represented by:		
Due from customers on construction contracts	2,748,165	3,127,617
Due to customers on construction contracts	(2,638,077)	(2,080,785)
	110,088	1,046,832

9 Trade Receivables

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade receivables	2,576,704	1,499,190
Less: provision for doubtful debts	(81,930)	(75,252)
	2,494,774	1,423,938

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

Interim Financial Information

Notes to the Interim Financial Information (continued)

9 Trade Receivables (continued)

The ageing analysis of the trade receivables based on invoice date is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 3 months	1,496,263	666,444
3 months to 1 year	602,260	467,182
1 to 2 years	218,918	190,295
2 to 3 years	146,845	83,165
Over 3 years	112,418	92,104
	2,576,704	1,499,190

10 Other Receivables and Prepayments

	30 June 2016 RMB'000	31 December 2015 RMB'000
Retention money and project deposits	1,360,837	946,878
Prepayments for land use rights for properties development	454,886	279,592
Other prepayments	67,057	79,287
Others	384,079	405,175
	2,266,859	1,710,932

Interim Financial Information

11 Share Capital and Premium

	Number of shares (RMB1.00 each) (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Balances as at 1 January 2016 and 30 June 2016				
– 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

	Number of shares (RMB1.00 each) (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

Interim Financial Information

Notes to the Interim Financial Information (continued)

12 Reserves

	Available-for-sale financial assets reserve RMB'000	Statutory surplus reserve RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2016				
Balance as at 1 January 2016	5,779	185,156	(7,499)	183,436
Transfer of reserves to income statement upon sale of available-for-sale financial assets	(11,103)	–	–	(11,103)
Transfer of reserves to income statement upon sale of available-for-sale financial assets – tax	2,776	–	–	2,776
Revaluation of available-for-sale financial assets	9,882	–	–	9,882
Revaluation – tax	(2,471)	–	–	(2,471)
Transaction with non-controlling interests	–	–	893	893
Balance as at 30 June 2016	4,863	185,156	(6,606)	183,413

	Available-for-sale financial assets reserve RMB'000	Statutory surplus reserve RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2015				
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

Interim Financial Information

13 Trade Payables

The ageing analysis of the trade payables based on invoice date is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 3 months	1,788,818	1,104,548
3 months to 1 year	1,037,883	1,027,525
1 to 2 years	472,028	421,367
2 to 3 years	214,156	156,832
Over 3 years	173,374	156,773
	3,686,259	2,867,045

14 Borrowings

	30 June 2016 RMB'000	31 December 2015 RMB'000
Current liabilities		
Short-term bank borrowings		
– Secured (<i>Note (a)</i>)	51,000	35,000
– Unsecured with guarantee (<i>Note (b)</i>)	90,000	140,000
– Guarantee by the companies within the Group	232,000	362,000
	373,000	537,000
	373,000	537,000

Interim Financial Information

Notes to the Interim Financial Information (continued)

14 Borrowings (continued)

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Opening amount as at 1 January	537,000	1,008,000
Addition of borrowings	703,000	742,000
Repayment of borrowings	(867,000)	(838,000)
Closing amount as at 30 June	373,000	912,000

(a) As at 30 June 2016, secured bank borrowings of the Group were secured by:

	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Properties under development	587,100	–
Property, plant and equipment	20,679	–
Land use rights	8,270	10,491
	616,049	10,491

(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 2016 was 4.34% (as at 31 December 2015: 4.54%).

15 Receipts in Advance

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.

Interim Financial Information

17 Other Gains – net

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Gains on disposals of available-for-sale financial assets	11,103	2,311
Government grants and compensation	2,297	1,657
Losses on disposals of property, plant and equipment	(9,477)	(2,637)
Gains on disposal of an associate	–	4,178
Others	2,328	474
	6,251	5,983

18 Operating Profit

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Depreciation of property, plant and equipment	53,067	57,888
Amortisation of land use rights	6,369	6,501
Employee benefit expenses	2,390,705	2,157,864
Cost of construction contracts	5,258,429	5,435,099
Cost of properties sold	1,847,012	260,642
Changes in inventories of finished goods and work in progress	427	(22,256)
Raw materials and consumables used	799,066	780,493
Compensation to property buyers and employees	–	5,728
Operating leases of buildings	3,565	2,426

Interim Financial Information

Notes to the Interim Financial Information (continued)

19 Finance Costs

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest on borrowings	17,996	34,912
Less: interest capitalised in properties under development	(17,996)	(34,912)
	-	-

20 Income Tax Expense

During the period, the Group is subject to the same types of income taxes as those disclosed in 2015 Financial Statements.

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax		
– PRC Corporate Income Tax	140,183	86,572
– Land appreciation tax	13,952	33,063
Deferred income tax, net	(18,743)	4,703
	135,392	124,338

Interim Financial Information

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	
	2016	2015
Profit attributable to the owners of the Company (RMB'000)	261,025	238,285
Weighted average ordinary shares in issue during the period (thousands shares)	612,372	626,309
Basic earnings per share (RMB)	0.43	0.38

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

22 Dividends

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil). A final dividend of RMB0.1 per ordinary share for 2015, totalling RMB61,178,000 was paid on 22 July 2016.

23 Financial Guarantees

	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	66,848	79,313

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.

Interim Financial Information

Notes to the Interim Financial Information (continued)

24 Changes in Ownership Interests in Subsidiaries Without Change of Control**(a) Acquisition of additional interest in a subsidiary**

On 27 April 2016, the Group acquired an additional 25% of the equity interest of Shaoxing Baoye Sievert Concrete Precast Elements Co., Ltd (“Baoye Sievert”) for a consideration of RMB5,000,000. After the acquisition, Baoye Sievert became a wholly owned subsidiary of the Group. The carrying amount of the non-controlling interests in Baoye Sievert on the date of acquisition was RMB5,893,000. The Group recognised an increase in equity attributable to owners of the Company of RMB893,000. The effect of changes in the ownership interest of Baoye Sievert on the equity attributable to owners of the Group during the period is summarised as follows:

	Six months ended 30 June 2016 RMB'000
Carrying amount of non-controlling interests acquired	5,893
Consideration paid to non-controlling interests	(5,000)
Net effect for transactions with non-controlling interests on equity	893

(b) Effects of changes in ownership interests in subsidiaries without change of control on the equity

	Six months ended 30 June 2016 RMB'000
Total comprehensive income for the period attributable to owners of the Company	260,109
Changes in equity attributable to owners of the Group arising from:	
– Acquisition of additional interests in subsidiary	893
	261,002

25 Related-Party Transactions

During the period, the Group made additional advances to an associate in the sum of approximately RMB3,997,000 (six months ended 30 June 2015: RMB6,420,000). The balance of advances as at 30 June 2016 was unsecured and repayable on demand, bearing interest at 4% per annum (31 December 2015: 4%).

Apart from those related party transactions disclosed above and in Note 14(b), the Group had no other significant related party transactions entered into during the six months ended 30 June 2016.

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
CG Code	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
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 as set out in Appendix 10 of the Listing Rules
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

Definitions

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 2016