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

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

(Stock Code: 2355)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board (the “Board”) of directors (the “Directors”) of Baoye Group Company Limited* (the “Company”) is pleased to announce the reviewed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 prepared in accordance with the Hong Kong Financial Reporting Standards, together with comparative figures for the corresponding period in 2014. The interim results had been reviewed by the audit committee of the Board and approved by the Board. The following financial information is extracted from the reviewed condensed consolidated interim financial information as set out in the Group’s 2015 interim report.

* For identification purposes only

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2015	2014
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>		
Revenue	3	9,069,237	9,340,369
Cost of sales		(8,543,561)	(8,744,217)
Gross profit		525,676	596,152
Other income		83,430	47,455
Other gains – net		5,983	1,690
Selling and marketing costs		(34,172)	(23,981)
Administrative expenses		(201,800)	(195,172)
Operating profit		379,117	426,144
Finance costs		–	–
Share of loss of joint ventures		(7,862)	(16,004)
Share of loss of associates		(3,146)	(1,381)
Profit before income tax		368,109	408,759
Income tax expense	4	(124,338)	(68,015)
Profit for the period		243,771	340,744
Profit attributable to:			
– Owners of the Company		238,285	331,639
– Non-controlling interests		5,486	9,105
		243,771	340,744
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB per share)	5	0.38	0.51

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited	Audited
	30 June	31 December
	2015	2014
<i>Note</i>	RMB'000	RMB'000
ASSETS		
Non-current assets		
Land use rights	529,739	536,240
Property, plant and equipment	1,245,691	1,234,450
Investment properties	596,583	596,583
Goodwill	16,534	16,534
Investments in joint ventures	48,657	48,699
Loan to a joint venture	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
	<u>2,652,026</u>	<u>2,671,413</u>
Current assets		
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	3,024,130	2,569,726
Trade receivables	1,352,053	1,395,895
Other receivables and prepayments	2,703,816	2,592,414
Loans to associates	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
	<u>15,858,869</u>	<u>14,696,623</u>
Total assets	<u>18,510,895</u>	<u>17,368,036</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30 June 2015 <i>RMB'000</i>	Audited 31 December 2014 <i>RMB'000</i>
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	7	612,372	631,744
Share premium		671,665	756,533
Reserves	8	146,504	145,024
Retained profits			
– Proposed dividends		–	63,174
– Others		4,619,927	4,379,705
		6,050,468	5,976,180
Non-controlling interests		118,927	114,157
Total equity		6,169,395	6,090,337
LIABILITIES			
Non-current liabilities			
Borrowings		130,000	289,000
Deferred income tax liabilities		70,352	63,505
		200,352	352,505
Current liabilities			
Trade payables	9	2,147,834	2,417,144
Other payables		2,282,741	2,332,662
Receipts in advance		4,412,394	3,228,749
Current income tax liabilities		452,668	428,161
Due to customers on construction contracts		2,002,274	1,799,478
Dividends payable		61,237	–
Borrowings		782,000	719,000
		12,141,148	10,925,194
Total liabilities		12,341,500	11,277,699
Total equity and liabilities		18,510,895	17,368,036
Net current assets		3,717,721	3,771,429
Total assets less current liabilities		6,369,747	6,442,842

NOTES

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 (the “Stock Exchange”) 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 7.

2 Basis of preparation and accounting policies

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”).

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.

3 Segment information

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 <i>RMB'000</i>	Property development <i>RMB'000</i>	Building materials <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
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 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 <i>RMB'000</i>	Property development <i>RMB'000</i>	Building materials <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
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)
Revenue (from external customers)	7,507,739	810,702	961,796	60,132	9,340,369
Operating profit	226,034	155,838	38,674	5,598	426,144
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

4 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	2014
	RMB'000	RMB'000
Current income tax		
– PRC Corporate Income Tax	86,572	133,026
– Land appreciation tax:		
– Provision for the period	33,063	11,162
– Over provision in previous years	–	(78,746)
Deferred income tax, net	4,703	2,573
	<u>124,338</u>	<u>68,015</u>

5 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)	238,285	331,639
Weighted average ordinary shares in issue during the period (thousands shares)	<u>626,309</u>	<u>654,366</u>
Basic earnings per share (RMB)	<u>0.38</u>	<u>0.51</u>

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

6 Trade receivables

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

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 installment arrangement for certain villa and town house projects).

The ageing analysis of the trade receivables is as follows:

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

7 Share capital

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.

8 Reserves

	Assets revaluation reserve <i>RMB'000</i>	Available- for-sale financial assets reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2014					
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	<u>545</u>	<u>2,606</u>	<u>147,036</u>	<u>(11,476)</u>	<u>138,711</u>

	Available- for-sale financial assets reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>6,967</u>	<u>147,036</u>	<u>(7,499)</u>	<u>146,504</u>

9 Trade payables

The ageing analysis of the trade payables is as follows:

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

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		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
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%
Total	<u>9,069,237</u>	<u>100%</u>	<u>9,340,369</u>	<u>100%</u>	<u>-3%</u>

Operating Profit

	For the six months ended 30 June				Change
	2015		2014		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
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%
Total	<u>379,117</u>	<u>100%</u>	<u>426,144</u>	<u>100%</u>	<u>-11%</u>

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:

	As at 30 June				Change
	2015		2014		
	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%
Total	58,048,075	100%	55,285,025	100%	5%

By region:

	As at 30 June				Change
	2015		2014		
	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%
Total	58,048,075	100%	55,285,025	100%	5%

* 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%
Shanghai Qingpu Project (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.

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

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 the 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	2014
	RMB'000	RMB'000
Cash and cash equivalents	2,472,904	1,989,795
Term deposits with initial term of over three months	6,096	–
Restricted bank deposits	237,156	263,040
Less: total borrowings	(912,000)	(994,953)
Net cash	1,804,156	1,257,882
Total equity attributable to the owners of the Company	6,050,468	5,652,804
Net cash ratio	29.8%	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	3.9%	5.9%
Net assets value per share (RMB)	9.88	8.95
Current ratio	1.31	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

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

Note:

- (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 Wanhua Cheng.
- (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 during the period.
- (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	122,742	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).

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 announcement, 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.

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.

Corporate Governance Practices

As at the date of this announcement, the Company has complied with all the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), 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 as Mr. Pang Baogen is both the chairman and chief executive officer of the Company. 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.

Model Code for Securities Transactions by Directors and Supervisors

The Board and the Supervisory Committee have adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by the Directors and Supervisors. Specific enquiries have been made by the Company and all the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 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.

Audit Committee

As at the date of this announcement, 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 during the period under review, 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.

Publication of Interim Report

The full text of the Group's 2015 Interim Report for the six months ended 30 June 2015 will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

Appreciation

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

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

Zhejiang, the People's Republic of China
28 August 2015

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

* *For identification purposes only*