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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 2016**

The board (the “Board”) of directors (the “Directors”) of Baoye Group Company Limited\* (the “Company”) is pleased to announce the reviewed interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016 (“the period”) prepared in accordance with the Hong Kong Financial Reporting Standards, together with comparative figures for the corresponding period in 2015. 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 interim financial information as set out in the Group’s 2016 Interim Report.

\* For identification purposes only

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	<b>10,845,641</b>	9,069,237
Cost of sales		<b>(10,234,172)</b>	(8,543,561)
<b>Gross profit</b>		<b>611,469</b>	525,676
Other income		<b>45,974</b>	83,430
Other gains – net		<b>6,251</b>	5,983
Selling and marketing costs		<b>(35,840)</b>	(34,172)
Administrative expenses		<b>(222,000)</b>	(201,800)
<b>Operating profit</b>		<b>405,854</b>	379,117
Finance costs		–	–
Share of loss of joint ventures		<b>(10,509)</b>	(7,862)
Share of loss of associates		<b>(2,707)</b>	(3,146)
<b>Profit before income tax</b>		<b>392,638</b>	368,109
Income tax expense	4	<b>(135,392)</b>	(124,338)
<b>Profit for the period</b>		<b>257,246</b>	243,771
<b>Profit attributable to:</b>			
– Owners of the Company		<b>261,025</b>	238,285
– Non-controlling interests		<b>(3,779)</b>	5,486
		<b>257,246</b>	243,771
<b>Earnings per share for profit attributable to the owners of the Company</b>			
– Basic and diluted (expressed in RMB per share)	5	<b>0.43</b>	0.38

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<b>Unaudited</b> <b>30 June</b> <b>2016</b>	Audited 31 December 2015
<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Land use rights	474,383	480,752
Property, plant and equipment	1,296,328	1,240,692
Investment properties	597,079	597,079
Goodwill	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	8,486	9,707
Deferred income tax assets	99,178	74,538
	<b>2,568,379</b>	<b>2,507,961</b>
<b>Current assets</b>		
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	2,748,165	3,127,617
Trade receivables	2,494,774	1,423,938
Other receivables and prepayments	2,266,859	1,710,932
Loans to associates	56,171	51,146
Available-for-sale financial assets	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
	<b>18,461,505</b>	<b>17,488,930</b>
<b>Total assets</b>	<b>21,029,884</b>	<b>19,996,891</b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30 June 2016 <i>RMB'000</i>	Audited 31 December 2015 <i>RMB'000</i>
	<i>Note</i>		
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	7	612,372	612,372
Share premium	7	671,665	671,665
Reserves	8	183,413	183,436
Retained profits		<u>5,107,024</u>	<u>4,907,177</u>
		<u>6,574,474</u>	<u>6,374,650</u>
<b>Non-controlling interests</b>		<u>160,350</u>	<u>150,922</u>
<b>Total equity</b>		<u>6,734,824</u>	<u>6,525,572</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<u>70,413</u>	<u>64,821</u>
		<u>70,413</u>	<u>64,821</u>
<b>Current liabilities</b>			
Trade payables	9	3,686,259	2,867,045
Other payables		2,796,372	2,378,957
Receipts in advance		4,257,271	5,024,194
Current income tax liabilities		412,490	518,517
Due to customers on construction contracts		2,638,077	2,080,785
Dividends payable		61,178	–
Borrowings		<u>373,000</u>	<u>537,000</u>
		<u>14,224,647</u>	<u>13,406,498</u>
<b>Total liabilities</b>		<u>14,295,060</u>	<u>13,471,319</u>
<b>Total equity and liabilities</b>		<u>21,029,884</u>	<u>19,996,891</u>

## 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 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 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 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”).

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:

		<b>Effective for the financial year beginning on or after</b>
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.

### 3 Segment information

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 <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	8,170,503	2,095,517	1,187,942	78,675	11,532,637
Inter-segment revenue	(541,340)	–	(133,928)	(11,728)	(686,996)
<b>Revenue (from external customers)</b>	<b>7,629,163</b>	<b>2,095,517</b>	<b>1,054,014</b>	<b>66,947</b>	<b>10,845,641</b>
<b>Operating profit</b>	<b>161,110</b>	<b>187,067</b>	<b>49,226</b>	<b>8,451</b>	<b>405,854</b>
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

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)
<b>Revenue (from external customers)</b>	<b>7,674,007</b>	<b>397,115</b>	<b>938,000</b>	<b>60,115</b>	<b>9,069,237</b>
<b>Operating profit</b>	<b>273,867</b>	<b>59,866</b>	<b>44,963</b>	<b>421</b>	<b>379,117</b>
Depreciation	13,749	3,090	25,322	15,727	57,888
Amortisation	3,387	–	1,811	1,303	6,501
Impairment of receivables	110	–	408	–	518
Share of loss of joint ventures	–	7,603	259	–	7,862
Share of loss of associates	–	–	3,146	–	3,146
Income tax expense	73,650	38,566	10,686	1,436	124,338

#### 4 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
	<u>135,392</u>	<u>124,338</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	
	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)	<u>612,372</u>	<u>626,309</u>
Basic earnings per share (RMB)	<u>0.43</u>	<u>0.38</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	31 December
	2016	2015
	RMB'000	RMB'000
Trade receivables	2,576,704	1,499,190
Less: provision for doubtful debts	(81,930)	(75,252)
	<u>2,494,774</u>	<u>1,423,938</u>

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).



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

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

## 7 Share capital and premium

	<b>Number of shares (RMB1.00 each) (thousands)</b>	<b>Ordinary shares RMB'000</b>	<b>Share premium RMB'000</b>	<b>Total RMB'000</b>
Balances as at 1 January 2016 and 30 June 2016				
– Domestic shares	<b>350,742</b>	<b>350,742</b>	–	<b>350,742</b>
– H shares	<b>261,630</b>	<b>261,630</b>	<b>671,665</b>	<b>933,295</b>
	<b><u>612,372</u></b>	<b><u>612,372</u></b>	<b><u>671,665</u></b>	<b><u>1,284,037</u></b>
Opening balance 1 January 2015				
– Domestic shares	350,742	350,742	–	350,742
– H shares	281,002	281,002	756,533	1,037,535
	<b><u>631,744</u></b>	<b><u>631,744</u></b>	<b><u>756,533</u></b>	<b><u>1,388,277</u></b>
Repurchase of shares				
– H shares	<b><u>(19,372)</u></b>	<b><u>(19,372)</u></b>	<b><u>(84,868)</u></b>	<b><u>(104,240)</u></b>
At 30 June 2015				
– Domestic shares	350,742	350,742	–	350,742
– H shares	261,630	261,630	671,665	933,295
	<b><u>612,372</u></b>	<b><u>612,372</u></b>	<b><u>671,665</u></b>	<b><u>1,284,037</u></b>

## 8 Reserves

	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>
<b>Six months ended 30 June 2016</b>				
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	<u>4,863</u>	<u>185,156</u>	<u>(6,606)</u>	<u>183,413</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>
<b>Six months ended 30 June 2015</b>				
Balance as at 1 January 2015	5,487	147,036	(7,499)	145,024
Transfer of reserves to income statement upon sale of available-for-sale financial assets	(2,311)	–	–	(2,311)
Transfer of reserves to income statement upon sale of available-for-sale financial assets – tax	578	–	–	578
Revaluation of available-for-sale financial assets	4,284	–	–	4,284
Revaluation – tax	(1,071)	–	–	(1,071)
Balance as at 30 June 2015	<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 based on invoice date is as follows:

	30 June 2016 <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>
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
	<u>3,686,259</u>	<u>2,867,045</u>

## 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 Wanhua Cheng 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		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Construction	<b>7,629,163</b>	<b>70%</b>	7,674,007	85%	<b>-1%</b>
Property Development	<b>2,095,517</b>	<b>19%</b>	397,115	4%	<b>428%</b>
Building Materials	<b>1,054,014</b>	<b>10%</b>	938,000	10%	<b>12%</b>
Others	<b>66,947</b>	<b>1%</b>	60,115	1%	<b>11%</b>
Total	<b>10,845,641</b>	<b>100%</b>	9,069,237	100%	<b>20%</b>

### Operating Profit

	For the six months ended 30 June				Change
	2016		2015		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Construction	<b>161,110</b>	<b>40%</b>	273,867	72%	<b>-41%</b>
Property Development	<b>187,067</b>	<b>46%</b>	59,866	16%	<b>212%</b>
Building Materials	<b>49,226</b>	<b>12%</b>	44,963	12%	<b>9%</b>
Others	<b>8,451</b>	<b>2%</b>	421	0%	<b>1907%</b>
Total	<b>405,854</b>	<b>100%</b>	379,117	100%	<b>7%</b>

## 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.

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	<u>62,084,564</u>	<u>100%</u>	<u>58,048,075</u>	<u>100%</u>	<u>7%</u>

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	<u>62,084,564</u>	<u>100%</u>	<u>58,048,075</u>	<u>100%</u>	<u>7%</u>

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

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 Wanhucheng 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:

<b>Project</b>	<b>Location</b>	<b>Average Selling Price (RMB/Sqm)</b>	<b>Floor Areas Sold (Sqms)</b>	<b>Revenue (RMB'000)</b>
Baoye Wanhuacheng	Shanghai	15,578	95,812	1,492,569
Baoye Mengdie Lvyua	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.

## Projects under Development

As at 30 June 2016, projects under development of the Group are tabulated below:

<b>Project Name</b>	<b>Location</b>	<b>Total Floor Area Under Development (sqms)</b>	<b>Equity Interest of the Group</b>
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.

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 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 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.

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

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.

## **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.

*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.

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:

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

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

## Other Key Financial Ratios

		<b>As at 30 June</b>	
		<b>2016</b>	2015
Return on equity		<b>4.0%</b>	3.9%
Net assets value per share (RMB)		<b>10.74</b>	9.88
Current ratio		<b>1.30</b>	1.31
Return on equity	=	profit attributable to the owners of the Company/ total equity attributable to the owners of the Company	
Net assets value per share	=	total equity attributable to the owners of the Company/ number of issued shares at the end of the period	
Current ratio	=	current assets/current liabilities	

During the period, 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.

## Cash Flow Analysis

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

## Financial Guarantee

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	<b>66,848</b>	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).

## **Connected Transactions**

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

## **Purchase, Sale or Redemption of Shares of the Company**

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 announcement, the Group had no material litigation and arbitration.

## **Entrusted Deposits and Overdue Time Deposits**

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

## **Human Resources**

As at 30 June 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.

## **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 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 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.

## **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 the Listed Issuers (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 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.



## **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 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.

## **Publication of Interim Report**

The full text of the Group's 2016 Interim Report for the six months ended 30 June 2016 will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.baoyegroup.com](http://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  
22 August 2016

*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