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BAOYE

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 2017

The board (the "Board") of directors (the "Directors") of Baoye Group Company Limited* (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 prepared in accordance with the Hong Kong Financial Reporting Standards, together with comparative figures for the corresponding period in 2016. The interim results had been reviewed by the audit committee of the Board and approved by the Board. The following financial information is extracted from the unaudited interim financial information as set out in the Group's 2017 Interim Report.

* *For identification purposes only*

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**9,383,941**	10,845,641
Cost of sales		**(8,644,004)**	(10,234,172)
Gross profit		**739,937**	611,469
Other income		**36,399**	45,974
Other gains – net	*4*	**32,124**	6,251
Selling and marketing costs		**(40,521)**	(35,840)
Administrative expenses		**(245,582)**	(222,000)
Operating profit		**522,357**	405,854
Finance costs		**–**	–
Share of loss of joint ventures		**(909)**	(10,509)
Share of loss of associates		**(605)**	(2,707)
Profit before income tax		**520,843**	392,638
Income tax expense	*5*	**(189,543)**	(135,392)
Profit for the period		**331,300**	257,246
Profit attributable to:			
– Owners of the Company		**323,716**	261,025
– Non-controlling interests		**7,584**	(3,779)
		331,300	257,246
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB per share)	*6*	**0.55**	0.43

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit for the period	**331,300**	257,246
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Transfer of reserves to income statement upon sale of available-for-sale financial assets, net of tax	**(7,093)**	(8,327)
Change in fair value of available-for-sale financial assets, net of tax	**7,534**	7,411
Other comprehensive income for the period, net of tax	**441**	(916)
Total comprehensive income for the period	**331,741**	256,330
Total comprehensive income attributable to:		
– Owners of the Company	**324,157**	260,109
– Non-controlling interests	**7,584**	(3,779)
	331,741	256,330

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2017** *RMB'000*	Audited 31 December 2016 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**480,634**	498,057
Property, plant and equipment		**1,401,030**	1,304,910
Investment properties		**597,079**	597,079
Goodwill		**16,534**	16,534
Prepayments		**20,000**	–
Investment in joint ventures		**129,492**	86,430
Investment in associates		**12,736**	13,741
Available-for-sale financial assets		**9,285**	8,697
Deferred income tax assets		**282,016**	289,924
		2,948,806	2,815,372
Current assets			
Inventories		**184,059**	146,199
Properties under development		**3,596,034**	4,873,996
Completed properties held for sale		**3,109,200**	2,160,415
Due from customers on construction contracts		**2,808,659**	2,965,894
Trade receivables	*7*	**3,371,448**	2,840,194
Other receivables and prepayments		**1,917,197**	1,838,620
Loan to a joint venture		**62,630**	61,528
Available-for-sale financial assets		**463,000**	678,590
Financial assets at fair value through profit or loss		**304,590**	796,269
Restricted bank deposits		**386,846**	633,571
Term deposits with initial term of over three months		**6,774**	11,925
Cash and cash equivalents		**3,979,345**	2,885,736
		20,189,782	19,892,937
Total assets		**23,138,588**	22,708,309

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**Unaudited 30 June 2017 *RMB'000***	Audited 31 December 2016 *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	*8*	**586,210**	612,372
Share premium	*8*	**565,872**	671,665
Treasury shares	*8*	**–**	(13,535)
Reserves	*9*	**184,782**	184,341
Retained profits		**5,695,820**	5,372,104
		7,032,684	6,826,947
Non-controlling interests		**171,560**	170,753
Total equity		**7,204,244**	6,997,700
LIABILITIES			
Non-current liabilities			
Borrowings		**350,000**	–
Deferred income tax liabilities		**76,250**	72,453
		426,250	72,453
Current liabilities			
Trade payables	*10*	**4,652,550**	4,657,721
Other payables		**2,686,367**	2,769,174
Receipts in advance		**4,238,350**	4,635,735
Current income tax liabilities		**406,267**	575,032
Due to customers on construction contracts		**2,887,000**	2,717,934
Borrowings		**637,560**	282,560
		15,508,094	15,638,156
Total liabilities		**15,934,344**	15,710,609
Total equity and liabilities		**23,138,588**	22,708,309

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 2017 ("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 2016 ("2016 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 2016 Financial Statements, except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

Amendments and interpretations to existing standards that are effective for the financial year ending 31 December 2017 do not have a material impact on or are not relevant to the Group.

New and revised standards and amendments to existing standards have been issued and relevant to the Group are not effective for the financial year beginning on 1 January 2017 and have not been early adopted.

3 Segment information

The unaudited segment information provided to executive directors for the reportable segments is as follows:

	Six months ended 30 June 2017				
	Construction	**Property development**	**Building materials**	**Others**	**Group**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Total revenue	**7,153,521**	**1,611,049**	**997,401**	**75,323**	**9,837,294**
Inter-segment revenue	**(328,720)**	**–**	**(118,123)**	**(6,510)**	**(453,353)**
Revenue (from external customers)	**6,824,801**	**1,611,049**	**879,278**	**68,813**	**9,383,941**
Operating profit	**185,004**	**302,375**	**18,714**	**16,264**	**522,357**
Depreciation	**16,039**	**4,042**	**23,185**	**13,621**	**56,887**
Amortisation	**3,110**	**–**	**2,042**	**1,204**	**6,356**
Impairment of receivables	**11,043**	**–**	**1,799**	**–**	**12,842**
Share of loss/(gain) of joint ventures	**769**	**(3,326)**	**3,466**	**–**	**909**
Share of loss of associates	**–**	**–**	**605**	**–**	**605**
Income tax expense	**52,111**	**128,838**	**4,889**	**3,705**	**189,543**

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

4. **Other gains – net**

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Fair value gains from financial assets at fair value through profit or loss	**11,845**	–
Gains on disposals of available-for-sale financial assets	**9,457**	11,103
Government grants and compensation	**7,112**	2,297
Gains/(losses) on disposals of property, plant and equipment	**2,827**	(9,477)
Losses on disposals of subsidiaries	**(3,335)**	–
Others	**4,218**	2,328
	32,124	6,251

5 **Income tax expense**

During the period, the Group is subject to the same types of income taxes as those disclosed in 2016 Financial Statements.

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
– PRC Corporate Income Tax	**107,374**	140,183
– Land appreciation tax	**70,611**	13,952
Deferred income tax, net	**11,558**	(18,743)
	189,543	135,392

6 **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	
	2017	2016
Profit attributable to the owners of the Company (RMB'000)	**323,716**	261,025
Weighted average ordinary shares in issue during the period (thousands shares)	**593,802**	612,372
Basic earnings per share (RMB)	**0.55**	0.43

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

7 Trade receivables

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade receivables	**3,509,324**	2,965,228
Less: provision for doubtful debts	**(137,876)**	(125,034)
	3,371,448	2,840,194

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 is as follows:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Within 3 months	**1,336,838**	1,098,355
3 months to 1 year	**1,273,731**	1,519,276
1 to 2 years	**667,669**	118,605
2 to 3 years	**51,184**	85,150
Over 3 years	**179,902**	143,842
	3,509,324	2,965,228

8 Share capital and premium

	Number of shares ***(RMB1.00 each)*** ***(thousands)***	**Ordinary shares** ***RMB'000***	**Share premium** ***RMB'000***	**Treasury shares** ***RMB'000***	**Total** ***RMB'000***
Opening balance 1 January 2017					
– Domestic shares	**350,742**	**350,742**	**–**	**–**	**350,742**
– H shares	**261,630**	**261,630**	**671,665**	**(13,535)**	**919,760**
	612,372	**612,372**	**671,665**	**(13,535)**	**1,270,502**
Buy-back and cancellation of shares					
– H shares	**(26,162)**	**(26,162)**	**(105,793)**	**13,535**	**(118,420)**
At 30 June 2017					
– Domestic shares	**350,742**	**350,742**	**–**	**–**	**350,742**
– H shares	**235,468**	**235,468**	**565,872**	**–**	**801,340**
	586,210	**586,210**	**565,872**	**–**	**1,152,082**

	Number of shares *(RMB1.00 each)* *(thousands)*	Ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Balances as at 1 January 2016 and 30 June 2016				
– Domestic shares	350,742	350,742	–	350,742
– H shares	261,630	261,630	671,665	933,295
	612,372	612,372	671,665	1,284,037

9 Reserves

	Available-for-sale financial assets reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Others *RMB'000*	Total *RMB'000*
Six months ended 30 June 2017				
Balance as at 1 January 2017	**5,022**	**185,925**	**(6,606)**	**184,341**
Transfer of reserves to income statement upon sale of available-for-sale financial assets	**(9,457)**	**–**	**–**	**(9,457)**
Transfer of reserves to income statement upon sale of available-for-sale financial assets – tax	**2,364**	**–**	**–**	**2,364**
Revaluation of available-for-sale financial assets	**10,045**	**–**	**–**	**10,045**
Revaluation – tax	**(2,511)**	**–**	**–**	**(2,511)**
Balance as at 30 June 2017	**5,463**	**185,925**	**(6,606)**	**184,782**

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

10 Trade payables

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

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Within 3 months	**1,175,145**	1,761,309
3 months to 1 year	**2,617,261**	2,046,283
1 to 2 years	**578,082**	548,414
2 to 3 years	**179,891**	188,843
Over 3 years	**102,171**	112,872
	4,652,550	4,657,721

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the six months ended 30 June 2017, the Group achieved a consolidated revenue of approximately RMB9,383,941,000, representing a decrease of approximately 13% from the corresponding period last year; operating profit amounted to approximately RMB522,357,000 representing an increase of approximately 29% as compared with the corresponding period last year; profit attributable to the owners of the Company amounted to approximately RMB323,716,000, representing an increase of approximately 24% compared to the same period last year; earnings per share was RMB0.55, representing an increase of approximately 28% compared to the same period last year. The significant increase in operating profit was mainly attributable to the higher profit margin of delivered units to purchasers for the property development sector that were recognised during the period as compared to the same period last year.

Revenue

	For the six months ended 30 June				
	2017		2016		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**6,824,801**	**73%**	7,629,163	70%	**–11%**
Property Development	**1,611,049**	**17%**	2,095,517	19%	**–23%**
Building Materials	**879,278**	**9%**	1,054,014	10%	**–17%**
Others	**68,813**	**1%**	66,947	1%	**3%**
Total	**9,383,941**	**100%**	10,845,641	100%	**–13%**

Operating Profit

	For the six months ended 30 June				
	2017		2016		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**185,004**	**35%**	161,110	40%	**15%**
Property Development	**302,375**	**58%**	187,067	46%	**62%**
Building Materials	**18,714**	**4%**	49,226	12%	**–62%**
Others	**16,264**	**3%**	8,451	2%	**92%**
Total	**522,357**	**100%**	405,854	100%	**29%**

Construction Business

For the six months ended 30 June 2017, the Group's construction business achieved a revenue of approximately RMB6,824,801,000, representing a decrease of approximately 11% over the same period last year; operating profit amounted to approximately RMB185,004,000, representing an increase of approximately 15% compared to the same period last year. The decrease in revenue for the construction business was primarily due to the decreased construction contracts that were contracted for in 2015 and 2016 compared to the preceding years. The improvement in operating profit was the results in improvement in construction project management, leading to increased profit margin.

As at 30 June 2017, the Group's recognised revenue for the construction contracts under construction in-progress amounted to approximately RMB57,723,647,000, representing a decrease of approximately 7% over the same period last year, of which is analysed below:

By project nature:

	As at 30 June				
	2017		2016		
	RMB'000	***% of total***	*RMB'000*	*% of total*	**Change**
Government and Public Buildings	**17,403,680**	**30%**	18,283,904	29%	**–5%**
Urban Infrastructure	**18,257,990**	**32%**	19,705,641	32%	**–7%**
Residential Projects	**7,475,212**	**13%**	7,909,573	13%	**–5%**
Industrial Projects	**10,574,972**	**18%**	12,261,701	20%	**–14%**
Public Housing Projects	**4,011,793**	**7%**	3,923,745	6%	**2%**
Total	**57,723,647**	**100%**	62,084,564	100%	**–7%**

By region:

	As at 30 June				
	2017		2016		
	RMB'000	***% of total***	*RMB'000*	*% of total*	**Change**
Zhejiang Province	**17,865,469**	**31%**	18,290,113	29%	**–2%**
Shanghai	**13,160,992**	**23%**	14,093,196	23%	**–7%**
Other Eastern China Region	**5,974,397**	**10%**	7,630,193	12%	**–22%**
Central China Region	**12,110,421**	**21%**	12,801,837	21%	**–5%**
Northern China Region	**4,894,965**	**8%**	5,544,152	9%	**–12%**
Other Regions	**2,222,360**	**4%**	2,160,543	3%	**3%**
Overseas*	**1,495,042**	**3%**	1,564,530	3%	**–4%**
Total	**57,723,647**	**100%**	62,084,564	100%	**–7%**

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

China economy has emerged into a new regular trend from a high and speedy growth to a sustainable growth, the slower economic growth in this economic cycle has directly impacted the construction market demand. At this stage, the construction industry is the midst of these changes and is experiencing adjustments. On one hand, followed by decreased market demand, aging population, the adoption of value added tax to replace sales tax, all of which have prompt construction cost to rise and have led many construction companies entering into survival dilemma in their operations; on the other hand, the manufacturing industry together with construction and real estate as well as infrastructural and fixed assets investment, as a pillar of national economy, would still have enormous growth potential.

The Group always adopts a prudent operating principle, insisting on selecting projects to reduce risks. During the period, the Group has secured new construction contracts amounted to approximately RMB10.2 billion, (corresponding period of 2016: RMB8.7 billion) in value, representing an increase of approximately 17% compared to the same period last year, including some high-end projects such as Shangyu Stadium, Xiao Heshan Campus of Zhejiang Foreign Languages College, Shaoxing Guoke Health Town, Jinghu Financial Building in Shaoxing City, a forest park in Mengcheng and Greenland Window in Changsha City, etc.

Property Development Business

Property Sales

For the six months ended 30 June 2017, the revenue of the Group's property development business amounted to approximately RMB1,611,049,000, representing a decrease of approximately 23% from the same period last year. Operating profit amounted to approximately RMB302,375,000, representing a significant increase of approximately 62% compared to the same period last year. Though revenue in property development has shown a decline, operating profit has registered a significant increase which was primarily attributable to the much comparatively higher profit margin of delivered units that were recognised during the period than those recognised in the same period last year.

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 Wanhuacheng	Shanghai	16,922	45,190	764,723
Baoye Four Seasons Garden	Shaoxing	20,414	21,632	441,592
Baoye Guanggu Lidu	Wuhan	6,659	22,879	152,355
Baoye Jiangwan Luyuan	Hangzhou	10,287	6,253	64,325
Baoye Mengdie Luyuan	Mengcheng	8,211	6,597	54,167

For the six months ended 30 June 2017, the Group's property development business achieved a contract sales value of approximately RMB1.23 billion with a total contract sales area of approximately 149,000 square metres.

Projects under Development

As at 30 June 2017, 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	374,500	100%
Shaoxing Xinqiao Fengqing	Shaoxing	136,000	100%
Baoye Guanggu Lidu	Wuhan	46,216	100%
Hubei Baoye Centre	Wuhan	88,000	100%
Shanghai Baoye Centre	Shanghai	27,000	100%
Baoye Ido	Shanghai	88,000	100%
Baoye Xiaoyao Luyuan	Bozhou	131,000	50%
Baoye Xuefu Luyuan	Bengbu	199,700	63%
Baoye Taihe City Green Garden	Taihe	312,400	55%
Baoye Longhu Yucheng	Kaifeng	140,000	60%
Baoye Yihe Yayuan	Lishui	67,657	100%

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a "province-rank" resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilisation flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from 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 and a planned gross floor area of approximately 650,000 square metres (after zoning adjustment) 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. Lotus Garden, Liu Garden and He Garden had been delivered to owners, Ming Garden, Run Garden, Jing Garden, Xi Garden and Fu Garden have almost been finished with satisfactory sale results and delivery to owners are underway.

Baoye Xinqiao Fengqing 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 PC-manufacture methodology according to plan. Phase I has begun pre-sale in July 2017 with a satisfactory result and is expected to be delivered in 2019.

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 and Phase II have been sold out except a few leftover units, phase III has been completely constructed and will begin sale at appropriate time.

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, as at the end of 30 June 2017, the main structure has been finished. The construction is expected to be completed at the end of 2017.

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. At present, the project is under interior decoration and is expected to start operation at the end of 2017.

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, of which, Phase I has begun pre-sale in October 2016 with a satisfactory result and is expected to be delivered in the second half of 2018.

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 diversified character. Phase I will be delivered in the second half year of 2017. Phase II will be delivered in the first half year of 2018.

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 pre-sale in the first half year of 2015, of which phase I with approximately 96,560 square metres is expected to be delivered to owners in the second half of 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. Of which, Phase I has been recognized revenue in 2016, Phase II and Phase III are expected to be delivered in 2017 and 2018, Phase IV will begin pre-sale in the second half of 2017.

Baoye Longhu Yucheng is located in a prime area of Eastern New City, Kaifeng County, Henan Province. It has a total site area of approximately 648,000 square metres and an estimated gross floor area of approximately 972,000 square metres. After completion, it will become the city's new business centre and leisure centre. The project is being developed in 5 phases, of which, certain completed units of phase I, have been delivered to owners, the remaining 80,000 square metres approximately are under development. Phase II has commenced construction and is expected to begin pre-sale in the second half of 2017.

Baoye Yihe Yayuan, located in Liandu District, Lishui City, Zhejiang Province, has a site area of 26,918 square metres and a total gross floor area of 67,657 square metres with 1.8 time plot ratio. The project will comprise 11 buildings by adoption of PC-manufacture methodology with a 20% prefabricated rate, of which, 3 buildings are intended for sale to general public and the rest 8 buildings are designated for government relocation households. It has commenced construction in October 2016 and has begun pre-sale in June 2017.

Land Reserve

During the period under review, 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 mainly in Zhejiang, Anhui and Henan. The Group will pay close attention to the land auction market and acquire land reserves at reasonable cost in Zhejiang, Shanghai, Hubei and Anhui.

Building Materials Business

For the six months ended 30 June 2017, the revenue of the Group's building materials business was approximately RMB879,278,000, representing a decrease of approximately 17% over the same period last year; operating profit was approximately RMB18,714,000, representing a significant decrease of approximately 62% over the same period last year. During the period under review, the decline in operation profit was largely due to the reduction in new orders attributable to curtain wall sector and the overall increase in raw materials cost whilst selling prices of corresponding products remained flat.

The revenue breakdown of the Group's building materials for the six months ended 30 June 2017 is analysed below:

	For the six months ended 30 June				
	2017		2016		**Change**
	RMB'000	***% the total***	*RMB'000* (Restated)	*% the totoal*	
Curtain Wall	**472,785**	**54%**	651,495	62%	**–27%**
Furnishings and Interior Decorations	**115,558**	**13%**	150,418	14%	**–23%**
Ready-mixed Concrete	**149,479**	**17%**	119,650	12%	**25%**
PC Assembly Plate	**41,807**	**5%**	2,514	0%	**1,563%**
Wooden Products and Fireproof Materials	**39,380**	**4%**	46,608	4%	**–16%**
Steel Structure	**23,433**	**3%**	51,878	5%	**–55%**
Others	**36,836**	**4%**	31,451	3%	**17%**
Total	**879,278**	**100%**	1,054,014	100%	**–17%**

During the period, the construction industrialisation development has entered into its golden-time due to the fact that work plans and targets, industry technical standards, development plans in prefabricated concrete construction have been published by local governments. Leveraging on decades of experience in regional operations, knowhow in construction industrialisation technologies and available capital, the Group has been able to grab opportunities and market shares and has built PC construction intelligent manufacturing bases through direct investments or co-operative joint ventures in the areas of Zhejiang, Anhui, Hubei and Shanghai.

Business Prospect

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

As a pillar of national economy, construction industry always plays an important role. However, facing aging population, and changing to green economic development mode from large scale infrastructural construction investment mode since the adoption of reform and opening policy, all of which have driven to slow down economy and foster the traditional construction industry to adopt changes. Under these circumstances, the ones who adopt changes could survive, the Group could capture the "Blue Ocean" if we could seize these opportunities in future, failing which we would have to fight for survival rather than capturing future development.

Under the prevailing unfavourable economic environment, traditional construction enterprises would have less room for survival. The Group always insists on employing stringent control over project risks in the areas of accounts receivable and value added tax management, and giving full use of its competitive advantages as a top class certified general constructor and general constructor in EPC projects in Zhejiang Province. The Group aims to build brand advantage and new core competitiveness in construction business through accumulated business experience to increase the percentage of self-owned construction projects; to enhance management performance and profitability for construction projects; and to increase intake of construction projects which require new construction technologies and knowhow. During the period, the Group undertook EPC projects like Jinghu Financial Building in Shaoxing City, a new technology research institute in Shaoxing Guoke Health Town and Shaoxing School of Zhejiang Shuren College. In future, the Group will rely on its own resources and creditworthiness and seize opportunity on PC construction development and EPC projects supported by government, to enlarge our market share in EPC projects and explore modes of BT, PPP, and to upgrade our construction business segment to the next level, hence preserving the brand of "Baoye Construction".

Property development business contributes substantial profit to the Group

The housing price continued to soar in real estate market during the period. By revisiting this issue giving rise to housing price, it can be traced back to the national policy of "slashing inventory" in November 2015 when it was implemented. In 2016, the policy of "slashing inventory and reducing leverage" in the real estate industry was prioritised as one of the five key economic ground works. However, the result turned to the contrary, housing prices turned ups instead of downs. The first and second tiers cities led the increasing trend, then followed by the third and fourth tiers cities. At the end of 2016, the Central government pronounced that housing units are built to live, but not for speculation in the future. After that, a series of government policies like restricted purchase, restricted price, restricted sale and same property right for leasing and purchase were carried out in the first half of 2017.

In the past, the Group always persists on prudent principle in property development business. In the future, it will continue to pay attention to the effects which stem from "population, land and finance" on real estate market. From the longer term perspective, trends on population shift to large and medium sized cities would continue, land supply and bank financing would be tightening up. The Group will focus on the land markets in Zhejiang, Shanghai, Hubei and Anhui and increase its land bank with reasonable debt-to-worth ratio. Meanwhile, the Group will continue to fully utilise its advantages in construction and industrialised housing expertise, to provide healthy, comfortable and high-tech housing units for our clients, and help change society with upgraded housing units.

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

During the period, the plan for prefabricated concrete construction development has been positioned as a national strategy, after the guidance of "An instruction of national rapid development of PC construction" issued by the State Council, the Ministry of Housing and Urban-Rural Development continuously issued policies like "the thirteenth five-year plan of energy-saving and green construction development", "action program of PC construction in thirteenth five-year plan", "management in leading cities implemented with PC construction" and "management in PC construction industry bases". In addition, a series of work targets, industry standards, technological specification at various levels of government was published. It's a golden opportune time for industrialised construction development in the decade to come.

As a national leading company in industrialised construction industry, the Group has established 15 PC construction intelligent manufacturing bases and 25 intelligent production lines in Zhejiang, Anhui, Hubei and Shanghai. In future, by relying on its two decades' advanced technologies and experience, the Group will, adopt an open mind, seize development opportunity and market shares, actively develop strategic cooperation with banks, funds, local governments and large property developers, endeavour to adopt the industrialized construction development as a company's strategy to realize this transformation, and create a new development era for Baoye in the coming two decades, or in a longer term of 50 years.

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 41% (corresponding period of 2016: 14%) of the total borrowings. In addition, approximately 5% of the total borrowings (corresponding period of 2016: 24%) 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 2017, the Group has unutilized banking facilities amounting to approximately RMB4.5 billion. Details of which are analysed below:

	As at 30 June	
	2017	2016
	RMB'000	*RMB'000*
Cash and cash equivalents	**3,979,345**	3,130,259
Term deposits with initial term of over three months	**6,774**	27,810
Restricted bank deposits	**386,846**	176,537
Less: total borrowings	**(987,560)**	(373,000)
Net cash	**3,385,405**	2,961,606
Total equity attributable to the owners of the Company	**7,032,684**	6,574,474
Net cash ratio	**48%**	45%

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

Other Key Financial Ratios

	As at 30 June	
	2017	2016
Return on equity	**4.6%**	4.0%
Net assets value per share (RMB)	**12.00**	10.74
Current ratio	**1.30**	1.30

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 RMB323,716,000, representing an increase of approximately 24%, mainly due to a higher profit margin of the property projects recognized. The return on equity and net assets value per share recorded an obvious increase compared to the same period last year. The Group has continued to maintain a net cash position, of which the net cash ratio is approximately 48%, an increase of approximately 6.67% though bank borrowings increased slightly compared to the same period last year.

Cash Flow Analysis

		For the six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Net cash (outflow)/inflow from operating activities	*(i)*	**(187,445)**	277,993
Net cash inflow/(outflow) from investing activities	*(ii)*	**592,080**	(186,476)
Net cash inflow/(outflow) from financing activities	*(iii)*	**688,974**	(131,316)
Net increase/(decrease)in cash and cash equivalents		**1,093,609**	(39,799)

Note:

(i) During the period under review, the net cash outflow from operating activities was approximately RMB187,445,000, a decrease of approximately RMB465,438,000, compared to the net cash inflow in the same period last year, which was mainly due to the prepayment of land cost for development of RMB441,000,000.

(ii) During the period under review, the net cash inflow from investing activities was approximately RMB592,080,000, which was mainly attributed by the sale of available-for-sale financial assets and financial assets at fair value through profit or loss.

(iii) During the period under review, the net cash inflow from financing activities was approximately RMB688,974,000, which was mainly attributed by increased bank borrowings due to cash demand.

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 2017, the Group's land appreciation tax amounted to approximately RMB70,611,000.

Administrative Expense

The Group's administrative expense amounted to approximately RMB245,582,000 for the six months ended 30 June 2017 as compared to approximately RMB222,000,000 for the same period last year, representing an increase of 11%. Followed by increase of employees' salaries and benefits, administrative expense has increased correspondingly.

Financial Cost

For the six months ended 30 June 2017, 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 Guarantee

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	**283,591**	194,781

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 2017, land use rights, property, plant and equipment and properties under development at a total value of approximately RMB853,352,000 (as at 31 December 2016: RMB62,685,000) 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 2017 (corresponding period of 2016: nil).

Connected Transactions

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

Purchase, Sale or Redemption of Shares of the Company

The Company has repurchased H Shares for 19 times, and has repurchased a total of 26,162,000 H Shares, representing 10% and 4.27% of the total number of H Shares and total number of issued Shares of the Company respectively from 12 December 2016 to 23 May 2017 since the general mandate passed in the 2015 annual general meeting, domestic shares and H shares class meetings. The total amount paid was HK$148,871,880 (excluding trading fee). Details of which was set out in the next day disclosure in relation to the completion of repurchase of H shares from 12 December 2016 to 23 May 2017 as published on the website of the Stock Exchange and are as follow:

Date of repurchase	**Number of H Shares purchased**	**Highest price paid** *HK$*	**Lowest price paid** *HK$*	**Aggregate price paid** *HK$*
12 December 2016	1,164,000	5.65	5.52	6,507,160
21 December 2016	1,398,000	5.80	5.71	8,082,320
28 December 2016	100,000	5.75	5.67	569,700
3 January 2017	2,676,000	5.75	5.70	15,331,900
4 January 2017	3,324,000	5.75	5.73	19,104,400
9 January 2017	2,790,000	5.80	5.73	16,137,980
10 January 2017	3,512,000	5.82	5.80	20,409,840
29 March 2017	1,058,000	5.65	5.55	5,968,920
5 April 2017	638,000	5.60	5.57	3,567,360
7 April 2017	968,000	5.60	5.55	5,420,020
12 April 2017	1,674,000	5.55	5.50	9,257,160
21 April 2017	2,940,000	5.55	5.54	16,316,380
9 May 2017	212,000	5.55	5.53	1,176,320

Date of repurchase	Number of H Shares purchased	Highest price paid *HK$*	Lowest price paid *HK$*	Aggregate price paid *HK$*
15 May 2017	452,000	5.63	5.53	2,526,940
16 May 2017	318,000	5.65	5.62	1,794,160
18 May 2017	406,000	5.65	5.64	2,293,480
19 May 2017	206,000	5.65	5.65	1,163,900
22 May 2017	1,048,000	5.69	5.64	5,929,520
23 May 2017	1,278,000	5.77	5.65	7,314,420

On 14 March 2017, 14,964,000 H Shares repurchased were cancelled and on 29 May 2017, 11,198,000 H shares repurchased were cancelled.

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 can't be withdrawn upon maturity.

Human Resources

As at 30 June 2017, the Group had a total of approximately 4,640 permanent employees (as at 30 June 2016: 4,400). Also, there were approximately 67,260 indirectly employed construction site workers (as at 30 June 2016: 73,580). These workers were not directly employed by the Group. For the six months ended 30 June 2017, the total employee benefit expenses amounted to approximately RMB1,941,347,000 (the same period in 2016: RMB2,390,705,000). 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 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 as set out in Appendix 14 of the Listing Rules (the "CG Code"), except for deviation of provisions of the CG Code as mentioned below:

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

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

Model Code for Securities Transactions by Directors and Supervisors

The Board and the Supervisory Committee have adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct for securities transactions by the Directors and Supervisors. Specific enquiries have been made by the Company and all the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2017. 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, Dennis Yin Ming and Mr. Li Wangrong and one non-executive Director, Mr. Fung Ching, Simon, with Mr. Chan, Dennis Yin Ming as the chairman of the audit committee. The audit committee held two meetings, and discussed the accounting policies as well as critical accounting estimates and assumptions with the management and discussed with the auditors on the audit plan and key audit areas. The audit objectives of internal audit department of the Group were also discussed. The interim results of the Group for the six months ended 30 June 2017 had been reviewed by the audit committee before being approved by the Board.

Publication of Interim Report

The full text of the Group's 2017 Interim Report for the six months ended 30 June 2017 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
25 August 2017

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

* *For identification purposes only*