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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 2018

The board (the "**Board**") of directors (the "**Directors**") of Baoye Group Company Limited* (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 prepared in accordance with the Hong Kong Financial Reporting Standards, together with comparative figures for the corresponding period in 2017. 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 2018 Interim Report.

* *For identification purposes only*

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**11,483,063**	9,383,941
Cost of sales		**(10,576,399)**	(8,644,004)
Gross profit		**906,664**	739,937
Other income		**54,590**	36,399
Other gains – net	*5*	**12,336**	32,124
Selling and marketing costs		**(42,003)**	(40,521)
Administrative expenses		**(239,403)**	(232,740)
Net impairment losses on financial assets		**(14,746)**	(12,842)
Operating profit		**677,438**	522,357
Finance costs		**(9,439)**	–
Share of results of joint ventures		**(2,527)**	(909)
Share of results of associates		**(3,529)**	(605)
Profit before income tax		**661,943**	520,843
Income tax expense	*6*	**(207,370)**	(189,543)
Profit for the period		**454,573**	331,300
Profit attributable to:			
– Owners of the Company		**439,202**	323,716
– Non-controlling interests		**15,371**	7,584
		454,573	331,300
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB per share)	*7*	**0.76**	0.55

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period	**454,573**	331,300
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)
Change in fair value of available-for-sale financial assets, net of tax	**–**	7,534
Other comprehensive income for the period, net of tax	**–**	441
Total comprehensive income for the period	**454,573**	331,741
Total comprehensive income attributable to:		
– Owners of the Company	**439,202**	324,157
– Non-controlling interests	**15,371**	7,584
	454,573	331,741

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2018** *RMB'000*	Audited 31 December 2017 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**527,434**	491,382
Property, plant and equipment		**1,648,707**	1,473,768
Investment properties		**617,169**	617,169
Goodwill		**16,534**	16,534
Investments in joint ventures		**124,360**	126,783
Loans to joint ventures		**382,580**	374,453
Investments in associates		**325,108**	15,547
Loans to associates		**542,498**	230,939
Financial assets at fair value through other comprehensive income		**232,268**	–
Financial assets at fair value through profit or loss		**8,245**	–
Available-for-sale financial assets		**–**	241,628
Deferred income tax assets		**242,987**	343,350
Prepayments for investments in associates		**–**	158,865
		4,667,890	4,090,418
Current assets			
Inventories		**210,430**	179,165
Properties under development		**4,211,667**	4,527,638
Completed properties held for sale		**3,293,688**	3,559,157
Contract assets		**3,628,848**	–
Due from customers on construction contracts		**–**	3,766,827
Trade receivables	*8*	**3,606,400**	3,668,651
Other receivables and prepayments		**3,068,069**	4,598,294
Financial assets at fair value through profit or loss		**384,050**	–
Available-for-sale financial assets		**–**	249,250
Restricted bank deposits		**958,328**	658,125
Term deposits with initial term of over three months		**119,775**	90,199
Cash and cash equivalents		**3,362,411**	2,575,717
		22,843,666	23,873,023
Total assets		**27,511,556**	27,963,441

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**Unaudited 30 June 2018 *RMB'000***	Audited 31 December 2017 *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	*9*	**562,664**	586,210
Share premium	*9*	**481,433**	565,872
Reserves		**200,114**	205,633
Retained earnings		**6,659,826**	5,960,204
		7,904,037	7,317,919
Non-controlling interests		**192,763**	178,445
Total equity		**8,096,800**	7,496,364
LIABILITIES			
Non-current liabilities			
Borrowings		**376,067**	70,862
Deferred income tax liabilities		**231,697**	83,834
		607,764	154,696
Current liabilities			
Contract liabilities		**6,831,344**	–
Trade payables	*10*	**5,962,163**	6,083,747
Other payables		**3,893,878**	3,395,107
Receipts in advance		**–**	5,246,117
Current income tax liabilities		**330,022**	514,540
Due to customers on construction contracts		**–**	3,388,705
Borrowings		**1,789,585**	1,684,165
		18,806,992	20,312,381
Total liabilities		**19,414,756**	20,467,077
Total equity and liabilities		**27,511,556**	27,963,441

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 2018 ("Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated. The Interim Financial Information has not been audited.

2 Basis of preparation

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The Interim Financial Information should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2017 ("2017 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").

3 Accounting policies

The accounting policies applied are consistent with those of 2017 Financial Statements, except for the adoption of new and amendments to HKFRSs effective for the financial year beginning 1 January 2018.

New and revised standards and amendments to existing standards that are effective for the financial year beginning 1 January 2018 do not have a material impact on or are not relevant to the Group, except for HKFRS 9 "Financial Instruments"("HKFRS 9") and HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15").

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments – Disclosures.

In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings. Provisions for impairment have not been restated in the comparative period, as well.

The effects of the adoption of HKFRS 9 are as follows:

Certain investments in bank financial products and listed equity securities of the Group which were previously classified as available-for-sale financial assets under HKAS 39, were reclassified as financial assets at fair value through profit or loss ("FVPL") under HKFRS 9. Certain investments in unlisted securities which were previously classified as available-for-sale financial assets under HKAS 39, were reclassified as financial assets at fair value through other comprehensive income ("FVOCI") under HKFRS 9. Except for the above, the application of HKFRS 9 did not have material impact on the classification, recognition and measurement of the other financial assets held by the Group at 1 January 2018 and 30 June 2018.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. The Group revised its impairment methodology under HKFRS 9 for its financial assets and additional loss impairment of RMB25,181,000 were provided as at 1 January 2018.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 replaces the provisions of HKAS 18 Revenue ("HKAS 18") and HKAS 11 Construction contracts ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract assets and liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for progress billings previously presented as due to customers on construction contracts and receipts in advances.

- Contract assets recognised were previously presented as due from customers on construction contracts.

Accounting for revenue recognition of construction service and building materials activities

The adoption of HKFRS 15 has no significant impact on the revenue recognition policies of rendering of construction services and sales of building materials.

Accounting for revenue recognition of property development activities

In prior reporting periods, the Group accounted for all revenue from property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the property that has no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchaser of the property is recognised as contract assets. The excess of cumulative billings to purchaser of the property over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalised as contract assets.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

The effects of the adoption of HKFRS 9 and HKFRS 15 on the consolidated balance sheet at 1 January 2018 are as follows:

	31 December 2017 As originally presented	**Reclassifications and adjustments under HKFRS 9**	**Reclassifications and adjustments under HKFRS 15**	**1 January 2018 Restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated balance sheet (extract)				
Loans to joint ventures	374,453	(6,295)	–	368,158
Loans to associates	230,939	(2,309)	–	228,630
Available-for-sale financial assets	490,878	(490,878)	–	–
Financial assets at fair value through other comprehensive income	–	232,268	–	232,268
Financial assets at fair value through profit or loss	–	258,610	–	258,610
Deferred income tax assets	343,350	6,295	(48,884)	300,761
Properties under development	4,527,638	–	(42,554)	4,485,084
Completed properties held for sale	3,559,157	–	(552,934)	3,006,223
Contract assets	–	(3,792)	3,791,828	3,788,036
Due from customers on construction contracts	3,766,827	–	(3,766,827)	–
Trade receivables	3,668,651	(5,895)	–	3,662,756
Other receivables and prepayments	4,598,294	(6,890)	–	4,591,404
Contract liabilities	–	–	7,396,754	7,396,754
Other payables	3,395,107	–	192,382	3,587,489
Receipts in advance	5,246,117	–	(5,246,117)	–
Due to customers on construction contracts	3,388,705	–	(3,388,705)	–
Deferred income tax liabilities	83,834	–	139,223	223,057
Reserves	205,633	(5,519)	–	200,114
Retained earnings	5,960,204	(13,367)	273,787	6,220,624
Non-controlling interests	178,445	–	13,305	191,750

The Group has not early adopted the following new and revised standards or amendments that have been issued but are not yet effective:

		Effective for the financial year beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRIC 23	Uncertainty over income tax treatment	1 January 2019
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

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

4 Segment information

The unaudited segment information provided to executive directors is as follows:

	Six months ended 30 June 2018				
	Construction *RMB'000*	**Property development** *RMB'000*	**Building materials** *RMB'000*	**Others** *RMB'000*	**Group** *RMB'000*
Revenue from contracts with customers	**8,907,232**	**1,929,594**	**1,269,215**	**70,244**	**12,176,285**
Recognised at a point in time	**–**	**1,576,060**	**567,657**	**58,992**	**2,183,729**
Recognised over time	**8,907,232**	**353,534**	**701,558**	**11,252**	**9,992,556**
Revenue from other sources					
Rental income	**–**	**–**	**–**	**53,266**	**53,266**
Total segment revenue	**8,907,232**	**1,929,594**	**1,269,215**	**123,510**	**12,229,551**
Less: inter-segment revenue	**(574,074)**	**–**	**(165,881)**	**(6,533)**	**(746,488)**
Revenue (from external customers)	**8,333,158**	**1,929,594**	**1,103,334**	**116,977**	**11,483,063**
Operating profit	**246,603**	**384,923**	**23,804**	**22,108**	**677,438**
Depreciation	**17,396**	**4,220**	**27,275**	**15,864**	**64,755**
Amortisation	**3,820**	**–**	**1,911**	**1,247**	**6,978**
Impairment of financial assets	**10,069**	**3,191**	**1,371**	**115**	**14,746**
Share of results of joint ventures	**1,190**	**1,414**	**(77)**	**–**	**2,527**
Share of results of associates	**121**	**3,769**	**(361)**	**–**	**3,529**
Income tax expense	**63,645**	**131,895**	**6,265**	**5,565**	**207,370**

	Six months ended 30 June 2017				
	Construction	Property development	Building materials	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	7,153,521	1,611,049	997,401	75,323	9,837,294
Less: 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 results of joint ventures	769	(3,326)	3,466	–	909
Share of results of associates	–	–	605	–	605
Income tax expense	52,111	128,838	4,889	3,705	189,543

5 Other gains-net

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Fair value (losses)/gains from financial assets at fair value through profit or loss	**(1,115)**	11,845
Gains on disposals of available-for-sale financial assets	**–**	9,457
Gains on disposals of financial assets at fair value through profit or loss	**6,784**	–
Government grants and compensation	**7,338**	7,112
Gains on disposals of property, plant and equipment	**139**	2,827
Losses on disposals of subsidiaries	**–**	(3,335)
Net foreign exchange gains	**1,275**	–
Others	**(2,085)**	4,218
	12,336	32,124

6 Income tax expense

During the period, the Group is subject to the same types of income taxes as those disclosed in 2017 Financial Statements. Income tax expense is recognised based on management's estimate of the annual income tax rate expected for the full financial year.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current income tax		
– PRC Corporate Income Tax	**109,471**	107,374
– Land appreciation tax	**31,485**	70,611
Deferred income tax		
– PRC Corporate Income Tax	**49,190**	11,558
– Land appreciation tax	**17,224**	–
	207,370	189,543

7 Earnings per share

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

	Six months ended 30 June	
	2018	2017
Profit attributable to the owners of the Company (RMB'000)	**439,202**	323,716
Weighted average number of ordinary shares in issue during the period (thousands shares)	**581,370**	593,802
Basic earnings per share (RMB)	**0.76**	0.55

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

8 Trade receivables

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Trade receivables	**3,769,982**	3,815,289
Less: provision for loss allowance *(note 6.3)*	**(163,582)**	(146,638)
	3,606,400	3,668,651

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 installment arrangements).

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Within 3 months	**1,677,947**	1,802,276
3 months to 1 year	**1,340,383**	1,197,142
1 to 2 years	**389,317**	596,405
2 to 3 years	**192,489**	59,017
Over 3 years	**169,846**	160,449
	3,769,982	3,815,289

9 Share capital and premium

	Number of shares *(thousands)*	Ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 1 January 2018				
– 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**
Buy-back and cancellation of shares				
– H shares	**(23,546)**	**(23,546)**	**(84,439)**	**(107,985)**
At 30 June 2018				
– Domestic shares	**350,742**	**350,742**	**–**	**350,742**
– H shares	**211,922**	**211,922**	**481,433**	**693,355**
	562,664	**562,664**	**481,433**	**1,044,097**

	Number of shares *(thousands)*	Ordinary shares *RMB'000*	Share premium *RMB'000*	Treasury shares *RMB'000*	Total *RMB'000*
At 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

All shares are of RMB1 each.

10 Trade payables

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

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Within 3 months	**2,188,196**	2,742,953
3 months to 1 year	**2,766,293**	2,305,769
1 to 2 years	**585,539**	616,744
2 to 3 years	**219,197**	285,813
Over 3 years	**202,938**	132,468
	5,962,163	6,083,747

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the six months ended 30 June 2018, the Group achieved a revenue of approximately RMB11,483,063,000, which represents an increase of approximately 22% from the corresponding period last year; operating profit amounted to approximately RMB677,438,000, which represents an increase of approximately 30% as compared with the corresponding period last year; profit attributable to the owners of the Company amounted to approximately RMB439,202,000, which represents an increase of approximately 36% compared to the same period last year; earnings per share was RMB0.76, which represents an increase of approximately 38% compared to the same period last year. During the period, the revenue and operating profit of the three main businesses of the Group had all registered substantial increase compared to the same period last year.

Revenue

	For the six months ended 30 June				
	2018		2017		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**8,333,158**	**72%**	6,824,801	73%	**22%**
Property Development	**1,929,594**	**17%**	1,611,049	17%	**20%**
Building Materials	**1,103,334**	**10%**	879,278	9%	**25%**
Others	**116,977**	**1%**	68,813	1%	**70%**
Total	**11,483,063**	**100%**	9,383,941	100%	**22%**

Operating Profit

	For the six months ended 30 June				
	2018		2017		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**246,603**	**36%**	185,004	35%	**33%**
Property Development	**384,923**	**57%**	302,375	58%	**27%**
Building Materials	**23,804**	**4%**	18,714	4%	**27%**
Others	**22,108**	**3%**	16,264	3%	**36%**
Total	**677,438**	**100%**	522,357	100%	**30%**

Construction Business

For the six months ended 30 June 2018, the Group's construction business achieved a revenue of approximately RMB8,333,158,000, which represents an increase of approximately 22% over the same period last year; operating profit amounted to approximately RMB246,603,000, which represents an increase of approximately 33% compared to the same period last year. The increase of revenue and operating profit for the construction business was primarily due to the increase of construction contracts intake in 2017 which were recognised during the period.

The construction industry is a pillar industry of the China's national economy. Its rapid development and continuous expansion in scale have not only provided a large number of job opportunities for the economy, but also promoted the co-development opportunities together with a number of chain industries; all of which have collectively steered tremendous contributions to China's urbanization, economic and social development progress. But it was noteworthy to point out that the traditional construction industry is still facing a series of inherited problems such as development scale is large but without strength, out-of-date management organization, and a lack of highly skilled labor force supply. As a prominent member of the construction industry who has been deeply involved in the construction industry for more than 40 years, we have thoroughly grasped the spirit set out on the "Opinions of the State Council on Promoting the Sustainable and Healthy Development of the Construction Industry" and "Several Opinions of the Ministry of Housing and Urban-Rural Development on Promoting the Development and Reform of the Construction Industry" policy documents, and will consistently address and resolve the deficiencies in the areas of management organization, engineering and construction methodologies, project quality and safety, business development, quality and skill set of employees, leveraging on the competitive edges imposed by the "three-in-one" business model of the group, towards the transformation from the traditional model into the new era of a modernized construction industry.

During the period, the Group's construction business adopts the business philosophy of promoting branding, contract management, new business models, and strengthening risk management and control, in the pursuit of a sustainable, healthy and high-quality development of the Group. We saw a market contraction in the traditional construction business sector, hence Baoye will capitalize the full use of its competitive edges in technologies and management talent to align development progress in traditional construction model with industrialization of construction methodology. During the period, the contract value of the new construction of the Group's construction business was approximately RMB12.8 billion (same period of 2017: RMB10.9 billion), an increase of 17% compared to the same period last year. We contracted for a number of high-quality image projects such as the EPC project of Qingshan Lake Science and Technology City International Business Center, resettlement housing project of the Shantytown of the A12/14 plot in Wenzhou Sanlang Bridge, the Kunshan Country Garden Project, and the EPC project of the Pinghu Dushan Port E-commerce Industrial Park.

Property Development Business

Property Sales

For the six months ended 30 June 2018, the revenue of the Group's property development business amounted to approximately RMB1,929,594,000, which represents an increase of approximately 20% from the same period last year. Operating profit amounted to approximately RMB384,923,000, which represents an increase of approximately 27% compared to the same period last year. The revenue and operating profit have both registered a significant increase compared to the same period last year which was primarily attributable to the higher selling price and profit margin of delivered sale 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	16,799	28,137	472,687
Baoye Four Seasons Garden	Shaoxing	29,647	14,150	419,507
Baoye Xiaoyao Luyuan	Mengcheng	5,222	67,740	353,760
Baoye Ido	Shanghai	39,740	6,043	240,149
Baoye Taihe City Green Garden	Taihe	5,218	26,659	139,118
Baoye Xinqiao Fengqing	Shaoxing	15,569	4,314	67,157

For the six months ended 30 June 2018, the Group's property development business achieved a contract sales value of approximately RMB1.7 billion with a total contract sales area of approximately 145,000 square metres.

Projects under Development

As at 30 June 2018, 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%
Baoye Xuefu Luyuan	Bengbu	79,000	63%
Baoye Taihe City Green Garden	Taihe	189,915	55%
Baoye Longhu Yucheng	Kaifeng	140,000	60%
Baoye Yihe Yayuan	Lishui	67,657	100%
Jingang Apartment	Lishui	20,784	100%
Baoye Junyue Green Garden	Lu'an	51,205	100%
Nanhai Jiayuan	Lu'an	305,500	70%
Wuhan Xinzhou Project	Wuhan	Under planning	100%
Xialv Project	Shaoxing	Under planning	60%

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort, a provincial tourist resort 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 for the development of deluxe villas, semi-detached villas, garden villas and terraces. It also contains a series of supporting projects including a golf club, a five-star resort hotel, two parks with artificial mountains, a sport park, a shopping arcade, kindergarten and a central lakeside garden. Phase I's construction had been completed, and had registered satisfactory sales results. Phase II has a planned gross floor area of approximately 300,000 square meters and the detailed development plan is under preparation.

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 building project with river view, of which 4 buildings will be constructed by PC-manufacture methodology according to plan. Phase I and II has a total saleable area of approximately 64,152 square meters presold in 2017 and are basically being sold out now. Phase III, with a total saleable area of approximately 29,785, is positioned for presale in the latter half of 2018 and is expected to be delivered to buyers in 2019.

Baoye Guanggu Lidu is located in the East Lake New Technology Development Zone in Wuhan City with 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 become reasonably scaled residential units with well-developed facilities, convenient transportation and a rich cultural connotation. The project is developed in three phases, of which phase I and phase II have been sold out. Phase III started sales in June 2018 and had satisfactory sales results in that month.

Hubei Baoye Centre is located at the junction of the first Jianshe 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 were underground levels. All will be developed as office buildings. The project commenced presale in 2017 and had registered satisfactory presale results.

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 resettlement housing. The project comprises 15 buildings. Phase I has been delivered to buyers in 2017. Phase II, with a gross floor area of approximately 79,000 square meters, is under construction and is expected to be delivered to buyers at the end of 2019.

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, elegant shopping arcade, an international bilingual kindergarten, high-end swimming pool facilities and so on. Physical separate positioning of pedestrian walk and vehicle driveway, personalized design of housing type and equitable distribution of space enable residents to enjoy quality and comfortable living. The project with rich community facilities is closed to an eco-friendly park. Once the project is completed, it will become a principal eco-friendly community in Taihe and set a new model of modernized residential housing. The project will be developed in four phases, of which phase I and II had already been delivered to buyers, phase III with 94,145 square meters is expected to be delivered at the end of 2018 and phase IV with 95,770 square meters is expected to be delivered in 2020.

Baoye Longhu Yucheng is located in a central 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 100,000 square meters of phase I had been delivered to owners, the remaining 70,000 square meters of phase I is still under construction. Phase II with a total of 110,000 square meters sells well and will be delivered generally in 2019 while Phase III is still under planning.

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 times plot ratio, of which 35,416 square meters will be purchased by the local government and the remaining 13,037 square meters will be owned and sold by Baoye. The project has adopted PC technology with a 20% prefabricated rate. It is expected to be delivered in August 2018.

Jingang Apartment, located in Liandu District, Lishui City, Zhejiang Province, has a site area of 14,846 square metres and a total gross floor area of 20,784 square metres with 1.34 times plot ratio, of which 17,652 square meters will be purchased by the local government and the remaining 3,132 square meters will be owned and sold by Baoye. The project is expected to be completed and delivered at the end of 2019.

Baoye Junyue Green Garden is located in Lu'an city, Anhui Province. Baoye bid the project through judicial auction in September 2017. 80% of the total gross floor area of 51,205 square meters has finished construction when auctioned, while the remaining site area of 36,196 square meters is clean land under development. The project is surrounded by convenient transportation and well-developed facilities including parks, banks and shopping malls. Currently, phase I is under presale.

Nanhai Jiayuan, located in Lu'an City, Anhui Province, has a site area of 125,526 square meters and a total gross floor area of 305,500 square meters. Phase I has completed its main construction in the latter half of 2017, while phase II is under construction. The project is expected to be delivered to the local government in 2019.

Wuhan Xinzhou project, located in Wuhan City, Hubei Province, has a total land area of 129,528.31 square meters. The Group acquired this parcel of land use right in December 2017 at a consideration of RMB780 million. As at the date of this announcement, the project is under planning.

Xialv Project, located in Shaoxing City, Zhejiang Province, consists of three separate parcels of land with a total cost of RMB511,036,354 and a total land site area of 262,862 square meters, pursuant to which the Group is interested in 60%. The Group acquired the land use rights through public auction in 2017. As at the date of this announcement, one of the three parcels of land has begun planning.

Land Reserve

In June 2018, a subsidiary of the Group acquired four parcels of land use rights with a total land area of 172,656.3 square meters through public tender and auction at a total consideration of RMB370,348,121 in Jieshou City, Anhui province. 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 further land reserves at reasonable cost in Zhejiang, Shanghai, Hubei and Anhui.

Investment in Property Development

Wuxi 2017-21 Land

In December 2017, a subsidiary of the Group and Powerlong Real Estate Holdings Limited, a listed company on the Stock Exchange of Hong Kong Limited (stock code: 1238.hk) have jointly invested and developed this parcel of land use right with a total site area of 248,878.8 square meters and a total gross floor area of 429,639 square meters at a total consideration of RMB1,371,940,000. The Group is interested in 33% of this project. This land will be developed in two phases, of which phase I includes subsections of A, B, C parts, while phase II includes subsection D. Subsection A has begun presale on 30 June 2018.

R17030 Land

In December 2017, a subsidiary of the Group and Daiwa Real Estate Group Company Limited have jointly acquired this land through public tender auction at Nantong, Jiangsu Province with a total site area of 135,544 square meters and gross floor area of 336,000 square meters with 1.7 times plot ratio at a total consideration of RMB1.65 billion. The Group is interested in 33% of the project. This project will adopt the PC technology with over 50% prefabricated rate and will be developed as a safe, comfortable and fully-decorated international community. The project will be developed in two phases, of which phase I will start construction in December 2018 and will be delivered in 2021, and phase II will start construction in October 2019 and be delivered in 2022.

Building Materials Business

For the six months ended 30 June 2018, the revenue of the Group's building materials business was approximately RMB1,103,334,000, which represents an increase of approximately 25% over the same period last year; operating profit was approximately RMB23,804,000, which represents an increase of approximately 27% over the same period last year. During the period under review, the revenue and operation profit achieved a substantial growth primarily attributable to the increase in new contract orders from curtain wall, furnishings and interior decorations, and ready-mixed concrete sectors.

The revenue breakdown of the Group's building materials for the six months ended 30 June 2018 is analysed below:

	For the six months ended 30 June				
	2018		2017		**Change**
	RMB'000	***% the total***	*RMB'000*	*% the total*	
Curtain Wall	**586,250**	**53%**	472,785	54%	**24%**
Ready-mixed Concrete	**231,937**	**21%**	149,479	17%	**55%**
Furnishings and Interior Decorations	**115,308**	**11%**	115,558	13%	**0%**
PC Assembly Plate	**59,640**	**5%**	41,807	5%	**43%**
Wooden Products and Fireproof Materials	**53,165**	**5%**	39,380	4%	**35%**
Steel Structure	**21,303**	**2%**	23,433	3%	**–9%**
Others	**35,731**	**3%**	36,836	4%	**–3%**
Total	**1,103,334**	**100%**	879,278	100%	**25%**

During the period, as the central and local governments continued to strengthen the environment protection and improvement measures, our products in the areas of green, environmental-friendly and energy saving were well perceived in the market. Simultaneously, the markets in second and third ties cities became very active during the period which sets out a very good development opportunity for the Group's building materials business.

Business Prospect

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

The Meeting of Political Bureau of the CPC Central Committee held in July 2018 summarized the conclusion of economic work in the first half of the year and had made arrangement for the work to be carried out in the second half of the year. The Meeting clarified that the Chinese government will continue to deepen the supply-side structural reforms, adhere to the implementation of a proactive fiscal policy and a prudent monetary policy to maintain the current economic stability and changes, and to withstand new problems and challenges, and the overwhelming changes in external environment. The government will emphasis on stabilizing and managing employment, finance, foreign trade, foreign capital, investment and expectations, and increasing its support for investments in the imbalance infrastructural sectors. The government has since implementing various important policies from 2017 on the future development of the construction industry, mainly comprising the design of top-level program, promotion of technology, and formulation of industry standard, including the cancellation of the bidding agency qualifications, the revision of registered construction engineer management prescription, overhauling changes in the bidding policy, the reduction of the project quality bond, the issuance of the normative documents for PPP projects, the simplification of qualifications of construction enterprises and so on.

The Group's construction business will continue to follow the government's policies and guidelines to conform with the changes in the construction industry. Considering our own position, we will continue to adopt the philosophy of maintaining healthy, stable and high-quality development and acting as general contractor for EPC projects which will form an integral part of our development strategy together with the layout of the Group's industrialization of construction. The Group will continuously renew business models, enhance lean and mean management style, and deepen the use and application of BIM technology, in order to promote and preserve the brand value of the Group's construction business and to prioritize quality over quantity. At the same time, the Group will continue to promote the upbringing of younger management teams. Through the establishment of "Baoye Vocational Skills Training Center" and "Master of Skills Studio", and through "Baoye Construction Order Class" and "Baoye Migrant Worker School" that are co-founded by the respective schools and the Group, our skill work force and prefabricated buildings business have then developed rapidly. By strengthening legal risk prevention and financial management and control, the Group will continue to improve our business capabilities.

Property development business contributes substantial profit to the Group

At the 19th CPC National Congress, General Secretary Xi Jinping once again emphasized: "houses are built for living, not for speculation. We should speed up the establishment of housing policy which is supplied by multi-sources, by multi-channels, and the combination of renting and purchasing simultaneously and ensure that everyone has a house to live in." Throughout the two recent decades of China's real estate industry development, on one hand, because of the flex in financial instruments such as leverage, interest rates, credit, etc., the real estate industry in China has been developed rapidly and improved the living and urban environment; on the other hand, due to the same characteristic of financial instruments such as the increasing credit, low interest rates and high leverage, the real estate industry has gradually moved away from its residential nature and has been emerged in varied nature of properties into by-product of financial products. When the era of credit crunch, rising interest rates, and deleverage comes into play, the government will accurately control the real estate market with "One City, One Policy". When the market tends to run smoothly, we should consider more about the trends and directions of the Chinese real estate market in the future. When housing returns to the very nature of living, only green, healthy, and technologically durable housing can be sustained in the long-term development of the industry. Following this general direction, we can better guide the decision-making of the Group's real estate in different regions, and afford the property development business continue to soar and generate fruitful returns to the Group.

The Group's real estate development business has always featured the "industry, capital, technology", and adopted to the philosophy of "Baoye builds quality houses". In the market where we are familiar with, Baoye has offered high quality construction services for more than 40 years and has applied leading edge technologies in industrialization of construction to real estate projects. From project approval and design to construction and then to maintenance later, our operation runs through the full life cycle of our construction products. In this connection, we can realistically provide our customers with "highly comfortable, low energy consumption and low carbon" housing products which can last for hundred years.

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

Under the current situation, China's demographic dividend has been gradually disappearing; the lack of labor supply and rise in labor costs are prominent; the demand for improving working environment and labor supply intensifies. In the mean time, China's urbanization process is still advancing; the continuous investment in infrastructural construction will still call for a huge demand of construction buildings. Whether national development strategies such as "the State Council's guidelines on facilitating healthy and sustainable development of construction industry", the "Green Building Action Plan" of the State Council, and the standards for prefabricated buildings issued by the Ministry of Housing and Urban-Rural Development, etc., or a series of policies encouraging the development of building industrialization issued by local governments and related departments, they all reflect China's high determination to the development of the construction industrialization. At the same time, a large number of our competitors are also exploring the prospect for the China's construction industrialization. We believe that any arguments on construction industrialization without considering construction and buildings are unrealistic. It is precisely because of the handful experience of the Group amassed during the past 40 plus years in the construction industry and the exploration and research that we have been doing for more than 20 years in the field of construction industrialization, we know more than anyone else about what Chinese construction industry needs in the future and what is the direction of the future.

As a nationwide benchmark in the field of construction industrialization, Baoye has always regarded advancing building industrialization as an important strategy for the future development of the Group. The extensive layout of the industrialization bases has laid a solid foundation for the rapid development of industrialization business, the upstream and downstream construction and real estate business of the Group in the future.

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 part of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 29% (same period of 2017: 41%) of the total borrowings. In addition, approximately 62.2% of the total borrowings (same period of 2017: 54.4%) were guaranteed by the Company, approximately 4.0% of the total borrowings (same period of 2017: Nil) were jointly guaranteed by the Company and non-controlling interests 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 of the management of capital and financial resources are to safeguard the sustainable development of the Group 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 2018, the untapped banking facilities of the Group amount to approximately RMB4.8 billion.

Details of which are analysed below:

	As at 30 June	
	2018	2017
	RMB'000	*RMB'000*
Cash and cash equivalents	**3,362,411**	3,979,345
Term deposits with initial term of over three months	**119,775**	6,774
Restricted bank deposits	**958,328**	386,846
Less: total borrowings	**(2,165,652)**	(987,560)
Net cash	**2,274,862**	3,385,405
Total equity attributable to the owners of the Company	**7,904,037**	7,032,684
Net cash ratio	**29%**	48%

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

Other Key Financial Ratios

	As at 30 June	
	2018	2017
Return on equity	**5.56%**	4.6%
Net assets value per share (RMB)	**14.05**	12.00
Current ratio	**1.21**	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 RMB439,202,000, representing an increase of approximately 36%, mainly due to the increase of construction business and property development business. The return on equity and net assets value per share recorded an 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 29%, a decrease of approximately 40% mainly due to the increased bank borrowing compared to the same period last year.

Cash Flow Analysis

		For the six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Net cash inflow/(outflow) from operating activities	*(i)*	**1,228,650**	(187,445)
Net cash (outflow)/inflow from investing activities	*(ii)*	**(726,362)**	592,080
Net cash inflow from financing activities	*(iii)*	**283,194**	688,974
Net increase in cash and cash equivalents		**785,482**	1,093,609
Exchange gains on cash and cash equivalents		**1,212**	–

Note:

(i) During the period under review, the net cash inflow from operating activities was approximately RMB1,228,650,000 an increase of approximately RMB1,416,095,000 compared to the same period last year, which was mainly due to the sound cash inflow from of the construction and property development businesses.

(ii) During the period under review, the net cash outflow from investing activities was approximately RMB726,362,000, which was mainly attributed by the payments for investments in associates at approximately RMB154,225,000, the loans to associates at approximately RMB310,991,000, and purchase of properties, plants and equipment at approximately RMB238,200,000.

(iii) During the period under review, the net cash inflow from financing activities was approximately RMB283,194,000, which was mainly driven by increased bank borrowings to ease cash flow 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 2018, the Group's land appreciation tax amounted to approximately RMB48,709,000.

Administrative Expense

The Group's administrative expense amounted to approximately RMB239,403,000 for the six months ended 30 June 2018 as compared to approximately RMB232,740,000, which was almost the same with the same period last year.

Financial Cost

For the six months ended 30 June 2018, the Group had registered financing cost of approximately RMB9,439,000 (same period of 2017: Nil).

Financial Guarantee

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	**666,439**	448,636

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 2018, land use rights, property, plant and equipment and properties under development at a total value of approximately RMB1,388,881,000 (as at 31 December 2017: RMB874,641,000) were pledged to banks as security in securing bank borrowings.

Capital Expenditure Plan

The Group adopts a prudent approach in capital expenditure spending to ensure the security of the capital chain. The Group will pay more attention to market changes and will increase its investments in acquisition of land and relevant businesses at appropriate time with reasonable costs.

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and most of bank borrowings are denominated and accounted in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect that 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 2018 (same period of 2017: 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

During the period under review, the Company has repurchased a total of 23,546,000 H Shares on the Stock Exchange of Hong Kong Limited, with the aggregate consideration paid (before expenses) amounting to HK$132,386,100. All the shares being repurchased were subsequently cancelled. As at 30 June 2018, the total number of Shares in issue was 562,664,053 (including 350,742,053 domestic shares and 211,922,000 H shares).

Particulars of the share buy-backs are as follows:

Month	Number of shares bought back	Purchase price per share Highest	Purchase price per share Lowest	Aggregate Consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
April 2018	2,184,000	5.23	4.90	11,060,960
May 2018	14,650,000	5.75	5.17	82,790,880
June 2018	6,712,000	5.75	5.69	38,534,260
Total	23,546,000			132,386,100

Save as disclosed above, during the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the company's listed securities.

The Directors believed that the above share buy-backs should reflect the underlying value of the Company, and signify the Group's confidence in its long term growth prospects.

Litigation and Arbitration

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

Entrusted Deposits and Overdue Time Deposits

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

Human Resources

As at 30 June 2018, the Group had a total of approximately 5,332 permanent employees (as at 30 June 2017: 4,640). Also, there were approximately 71,968 indirectly employed construction site workers (as at 30 June 2017: 67,260). These workers were not directly employed by the Group. For the six months ended 30 June 2018, the total employee benefit expenses amounted to approximately RMB2,407,140,000 (the same period in 2017: RMB1,941,347,000). 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 is devoted 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 Rulers(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 2018. 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 2018 had been reviewed by the audit committee before being approved by the Board.

Publication of Interim Report

The full text of the Group's 2018 Interim Report for the six months ended 30 June 2018 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
27 August 2018

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*