



BAOYE GROUP COMPANY LIMITED

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

Stock Code: 2355



INTERIM REPORT
2017





OUR MISSION

“From construction to manufacturing”, leads construction industry towards industrialisation in China.

CONTENTS

2	Corporate Profile
4	Corporate Information
5	Financial Highlights
	Management Discussion and Analysis
9	Results Review
18	Business Prospect
19	Financial Review
23	Corporate Governance
28	Other Information
31	Report on Review of Interim Financial Information
	Interim Financial Information
32	Interim Condensed Consolidated Balance Sheet
34	Interim Condensed Consolidated Income Statement
35	Interim Condensed Consolidated Statement of Comprehensive Income
36	Interim Condensed Consolidated Statement of Changes in Equity
38	Interim Condensed Consolidated Statement of Cash Flows
39	Notes to the Interim Financial Information
59	Definitions

CORPORATE PROFILE

Business Structure

BAOYE GROUP COMPANY LIMITED

Construction Business

- Government and Public Buildings
- Urban Facilities and Infrastructure
- Commercial Buildings
- Residential Buildings
- Industrial Buildings
- Electrical and Electronic Installation
- Fireproof Facilities Installation
- Curtain Wall Installation

Property Development Business

- Shaoxing “Baoye Four Seasons Garden”
- Shaoxing “Baoye Xinqiao Fengqing”
- Wuhan “Baoye Guanggu Lidu”
- Wuhan “Baoye Centre”
- Shanghai “Baoye Centre”
- Shanghai “Baoye Ido”
- Bozhou “Baoye Xiaoyao Luyuan”
- Bengbu “Baoye Xuefu Luyuan”
- Taihe “Baoye City Green Garden”
- Kaifeng “Baoye Longhu Yucheng”
- Lishui “Baoye Yihe Yayuan”

Building Materials Business

- Curtain Wall
- Ready-mixed Concrete
- Steel Structure
- Furnishings and Interior Decorations
- Wooden Products and Fireproof Materials
- PC Assembly Plate
- Others



Construction Business

Zhejiang | Shanghai | Jiangsu | Anhui | Hubei | Hunan | Beijing | Tianjin | Hebei | Henan
 Shandong | Shanxi | Liaoning | Sichuan | Chongqing | Xinjiang | Jiangxi | Fujian | Guangdong | Djibouti
 Botswana | Seychelles



Property Development Business

Shaoxing | Wuhan | Shanghai | Bozhou | Bengbu | Taihe | Kaifeng | Lishui



Building Materials Business

Zhejiang | Anhui | Shanghai | Hubei

CORPORATE INFORMATION

Directors

Executive Directors

Mr. Pang Baogen
(*Chairman of the Board*)
Mr. Gao Lin
Mr. Gao Jiming
Mr. Gao Jun
Mr. Jin Jixiang

Non-executive Director

Mr. Fung Ching, Simon

Independent

Non-executive Directors

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

Supervisors

Mr. Kong Xiangquan (*Chairman*)
Mr. Wang Jianguo
Mr. Xu Gang

Independent Supervisors

Mr. Zhang Xindao
Mr. Xiao Jianmu

Audit Committee

Mr. Chan, Dennis Yin Ming (*Chairman*)
Mr. Fung Ching, Simon
Mr. Li Wangrong

Remuneration Committee

Mr. Chan, Dennis Yin Ming (*Chairman*)
Mr. Pang Baogen
Ms. Liang Jing

Nomination Committee

Mr. Li Wangrong (*Chairman*)
Mr. Gao Jiming
Ms. Liang Jing

Company Secretary

Mr. Chow Chan Lum

Auditors

International Auditor

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Statutory Auditor

PricewaterhouseCoopers
Zhongtian LLP
34/F Tower A, Kingkey 100
5016 Shennan East Road
Luohu District
Shenzhen, the PRC
Post Code: 518001

Legal Advisers

As to Hong Kong law

Kwok Yih & Chan
Suites 2103-05, 21st Floor
9 Queen's Road Central
Central, Hong Kong

As to PRC law

Fenxun Partners
Suite 1008, China World Tower 2
China World Trade Centre
No.1 Jianguomenwai Avenue
Beijing, the PRC
Post Code: 100004

H Share Registrar

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

Principal Banks

Agricultural Bank of China Limited
Bank of China Limited
Bank of Communications Company
Limited
China Construction Bank Corporation
China Minsheng Banking Corporation
Limited
Industrial and Commercial Bank of China
Limited
Shanghai Pudong Development Bank
Company Limited

Registered Address

Yangxunqiao Township
Keqiao District, Shaoxing City
Zhejiang Province, the PRC
Tel: 86 575 84882990
Post Code: 312028

Headquarter Address

No.501 Shanyin West Road,
Keqiao District, Shaoxing City
Zhejiang Province, the PRC
Post Code: 312030

Correspondence Address in Hong Kong

Room 1902, China Evergrande Centre
38 Gloucester Road
Wanchai, Hong Kong

Authorised Representatives

Mr. Pang Baogen
Mr. Gao Jiming

Stock Code

HKEx (2355)

Contact

Investor Relations
Tel: 86 575 84135837
Fax: 86 575 84118792
E-mail: irbaoye@baoyegroup.com

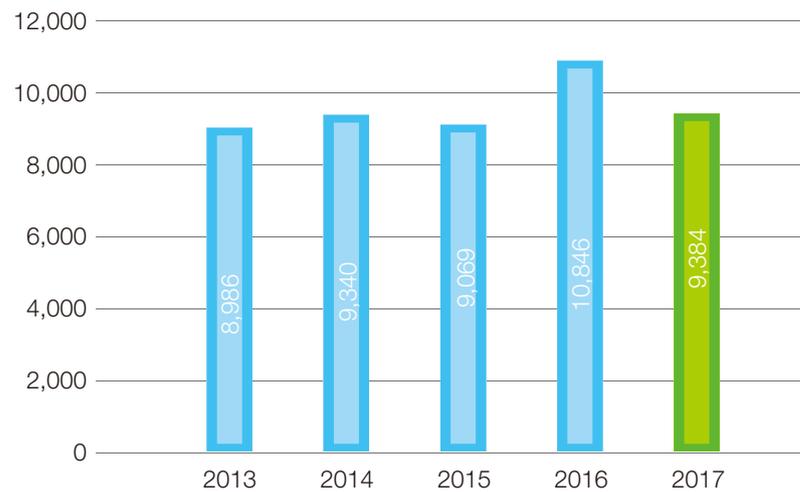
Website

www.baoyegroup.com

FINANCIAL HIGHLIGHTS

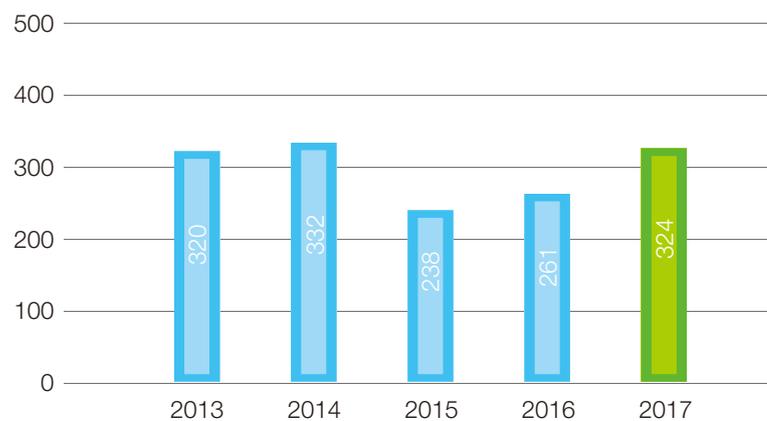
Revenue

(in RMB million)
(For the six months ended 30 June)



Profit Attributable to the Owners of the Company

(in RMB million)
(For the six months ended 30 June)

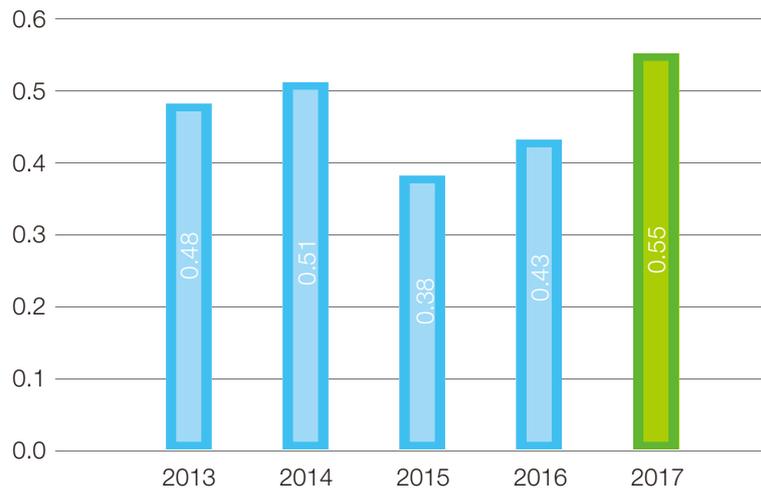


Financial Highlights

Earnings per Share

(in RMB)

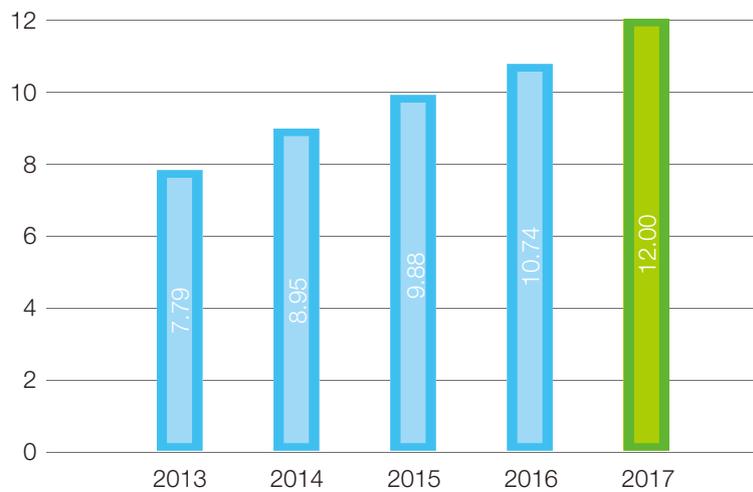
(For the six months ended 30 June)



Net Assets Value per Share

(in RMB)

(For the six months ended 30 June)



Financial Highlights

	For the six months ended 30 June				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Results					
Revenue	9,383,941	10,845,641	9,069,237	9,340,369	8,986,100
Profit Attributable to the Owners of the Company	323,716	261,025	238,285	331,639	320,154
Earnings per Share (RMB)	0.55	0.43	0.38	0.51	0.48
Assets and Liabilities					
Total Assets	23,138,588	21,029,884	18,510,895	16,643,085	14,283,288
Total Liabilities	15,934,344	14,295,060	12,341,500	10,864,895	9,022,453
Total Equity	7,204,244	6,734,824	6,169,395	5,778,190	5,260,835

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
Net Cash Ratio	48.0%	45.0%
Current Ratio	1.30	1.30
Cash (outflow)/inflow from Operating Activities (RMB'000)	(187,445)	277,993

MANAGEMENT DISCUSSION AND ANALYSIS



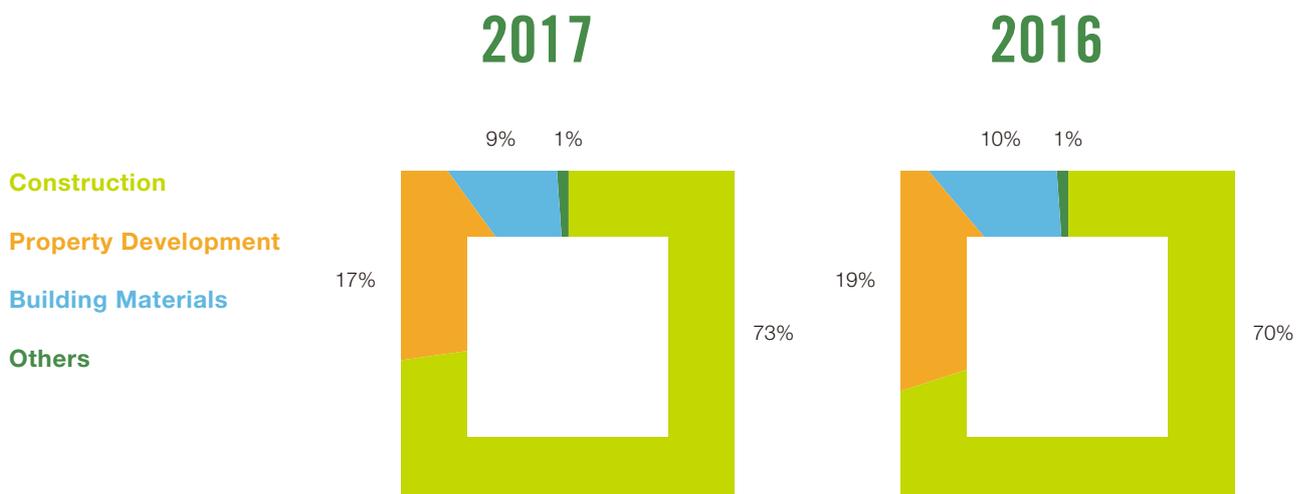
MANAGEMENT DISCUSSION AND ANALYSIS

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				Change
	2017		2016		
	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%



Management Discussion and Analysis

Operating Profit

	For the six months ended 30 June				Change
	2017		2016		
	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%

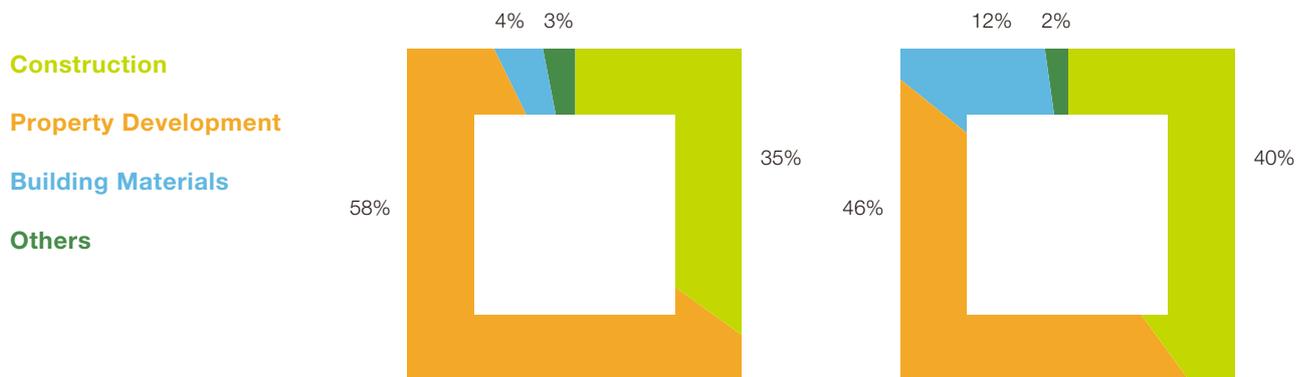


Management Discussion and Analysis



2017

2016



Construction Business

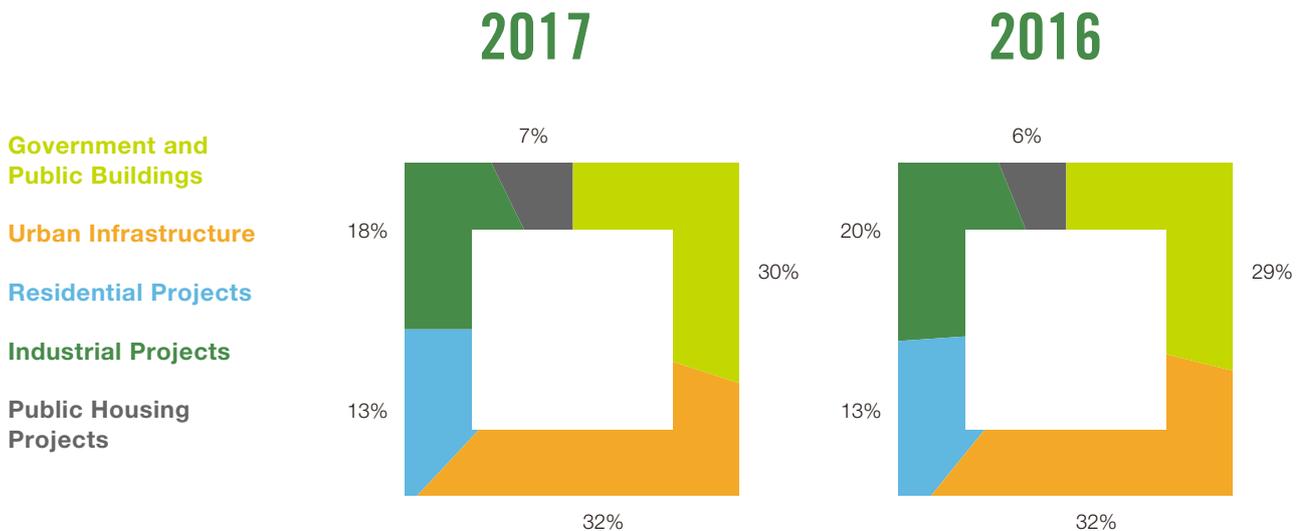
For the six months ended 30 June 2017, the Group’s construction business achieved a revenue of approximately RMB6,824,801,000, representing a decrease of approximately 11% over the same period last year; operating profit amounted to approximately RMB185,004,000, representing an increase of approximately 15% compared to the same period last year. The decrease of 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 cost management, leading to increased profit margin.

Management Discussion and Analysis

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				Change
	2017		2016		
	RMB'000	% of total	RMB'000	% of total	
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%

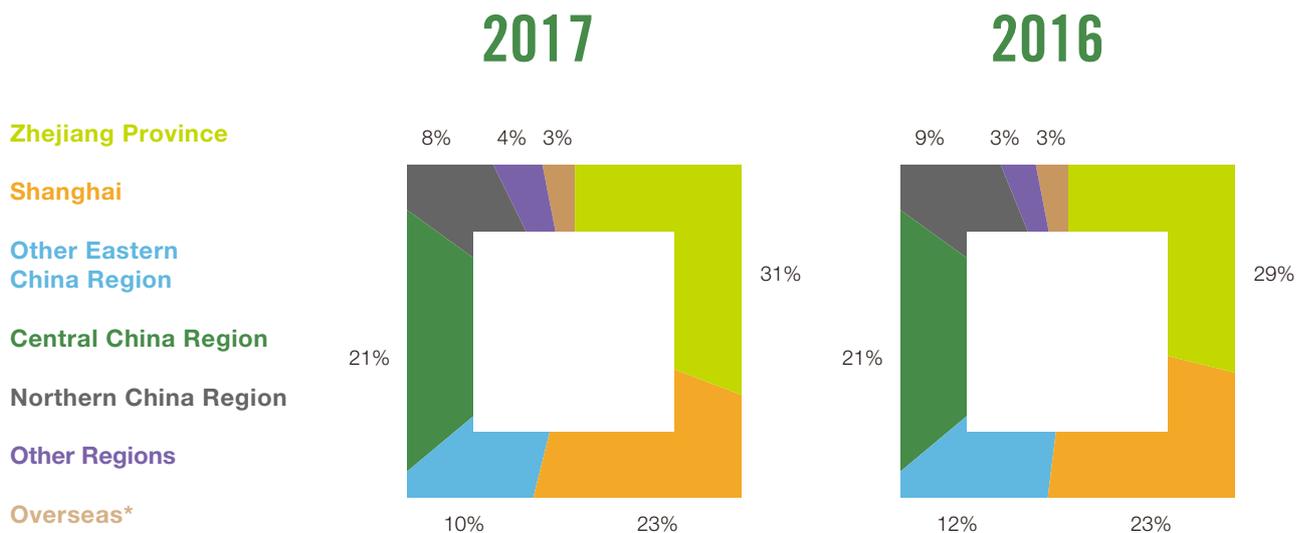


Management Discussion and Analysis

By region:

	As at 30 June				
	2017		2016		Change
	RMB'000	% of total	RMB'000	% of total	
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%	2,160,534	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.



Management Discussion and Analysis

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 Green Garden	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.

Management Discussion and Analysis

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) of which a total of approximately 374,500 square meters is under development. The project is mainly 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 Xin Qiaojiang Fongqing 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 results 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.

Management Discussion and Analysis

Hubei Baoye Centre is located at the junction of Jianshe 1st Road and Jiangang South Road, Qingshan District, Wuhan City. It has an estimated gross floor area of approximately 88,000 square metres, pursuant to which, approximately 65,600 square metres were above-ground levels and approximately 22,400 square metres at underground levels, will be developed as office buildings. The construction has begun in the second half of 2015, 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 results and is expected to delivery 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 delivery in 2017 and 2018, Phase IV will began 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, being developed, have been delivered to owners, the remaining with approximately 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.

Management Discussion and Analysis

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 2016 is analysed below:

	For the six months ended 30 June				Change
	2017		2016		
	RMB'000	% the total	RMB'000 (Restated)	% the total	
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%	31,452	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.

Management Discussion and Analysis

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 up instead of down. 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.

Management Discussion and Analysis

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 developing 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 even 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, 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. In addition, approximately 49% of the total borrowing (corresponding period of 2016: nil) were guaranteed by the Company. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

The Group’s objectives in the management of capital and financial resources are to safeguard the Group’s ability to operate as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Management Discussion and Analysis

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resource to expand its business. As at 30 June 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 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.

Management Discussion and Analysis

Cash Flow Analysis

	Note	For the six months ended 30 June	
		2017 RMB'000	2016 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.

Management Discussion and Analysis

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).

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

The Group is committed to establishing an efficient, orderly and transparent corporate governance mechanism. Since its listing, the Company strives to comply with the Company Law of the PRC, the Rules Governing the Listing of Securities on The Stock Exchanges of Hong Kong Limited, the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and other relevant laws and regulations and will regularly review the corporate management activities to enhance corporate value so as to ensure a sustainable development of the Company and to maximise shareholders' returns.

Corporate Governance Practices

As at the date of this report, the Company has complied with all the code provisions as set out in the 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.

Board of Directors

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment and improving and reviewing the Group's policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive Directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

The Board consists of nine Directors, including five executive Directors, namely, Mr. Pang Baogen (the chairman of the Board), Mr. Gao Lin, Mr. Gao Jiming, Mr. Gao Jun and Mr. Jin Jixiang; one non-executive Director, namely, Mr. Fung Ching, Simon; and three independent non-executive Directors, namely, Mr. Chan, Dennis Yin Ming, Mr. Li Wangrong and Ms. Liang Jing. Each of Mr. Fung Ching, Simon and Mr. Chan, Dennis Yin Ming, has professional accounting qualifications and possesses a breath of experience in accounting and financial management, Mr. Li Wangrong has rich experience in law and Ms. LiangJing has rich experience in project management and audit, The diverse composition of the Board brings the Board different views, and also reflects a balance between effectiveness and independence.

Independent Non-executive Directors

The composition of independent non-executive Directors of the Board complies with Rule 3.10 (1) of the Listing Rules, the Company has appointed three independent non-executive Directors, accounting for one third of the Board. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders.

Board Committees

The Board has established three board committees, namely, audit committee, nomination committee and remuneration committee to strengthen its functions and corporate governance rules. The audit committee, the nomination committee and the remuneration committee perform their specific duties in accordance with their respective written terms of reference.

Audit Committee

As at the date of this report, the audit committee of the Company consists of two independent non-executive Directors, namely, Mr. Chan, 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.

Remuneration Committee

As at the date of this report, the remuneration committee comprises two independent non-executive Directors, namely, Mr. Chan, Dennis Yin Ming, Ms. Liang Jing and one executive Director, namely, Mr. Pang Baogen, with Mr. Chan, Dennis Yin Ming as the chairman of the remuneration committee. The major responsibilities of the remuneration committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors, Supervisors and senior management of the Company, to review and approve the management's remuneration recommendation according to the Board's policy and target, and to take the market forces and comparable industries into consideration when determining the remuneration packages of the Directors, Supervisors and senior management of the Company.

Corporate Governance

Nomination Committee

As at the date of this report, the nomination committee comprises two independent non-executive Directors, namely, Mr. Li Wangrong, Ms. Liang Jing and one executive Director, namely, Mr. Gao Jiming, with Mr. Li Wangrong as the chairman of the nomination committee. The main duties of the nomination committee are to review the structure, size and composition of the Board of Directors on a regular basis, to make recommendations to the Board regarding any proposed changes and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of the independent non-executive Directors and providing recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and supervisors.

Auditors

The re-appointment of PricewaterhouseCoopers as the Company's international auditor and the re-appointment of PricewaterhouseCoopers Zhongtian LLP as the Company's PRC statutory auditor were approved at the annual general meeting held on 13 June 2017.

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.

Investors Relations

The Company believed that it's very important to disclose accurate information timely and effectively for building market confidence, so the Company maintained good relations and communication with investors actively. In order to obtain more information from its investors and the potential investors, the Company has investor relations department, endeavoring to interact with its shareholders, investors, analysts, investment banks and financial medias and release the latest announcement, circular, interim report and annual report, as well as the Company's newsletters.

Substantial Shareholders of H Shares

As at the date of this report, so far as was known to the Directors, the following persons, other than Directors, Supervisors and senior management of the Company, have an interest in the shares of the Company as recorded in the register required to be kept under the Section 336 of the The SFO and which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity	Number of H Shares of the Company Held (Long Position)	Approximate Percentage of the Total Issued H Shares of the Company	Approximate Percentage of the Total Registered Share Capital of the Company
Wu Xueqin (<i>note 1</i>)	Interest of spouse	29,304,000	12.45%	5.00%
Zhu Yicai	Interest of spouse	29,304,000	12.45%	5.00%
Top Easy Holding Limited	Interest of corporation	17,106,000	7.27%	2.92%
Star Ruby Overseas Ltd	Interest of corporation	12,198,000	5.18%	2.08%

1. Ms. Wu Xueqin, the spouse of Mr. Zhu Yicai, is deemed to be interested 29,304,000 H shares through its controlled corporations, namely Top Easy Holding Limited and Star Ruby Overseas Ltd.
2. Information disclosed hereby is based on the information available on the website of Hong Kong Stock Exchange at www.hkex.com.hk.
3. As at 30 June 2017, the Company has a total of 586,210,053 shares, of which 235,468,000 shares were H shares.

OTHER INFORMATION

Interests of Directors, Supervisors, Chief Executive and Senior Management

As at the date of this report, the interests and short positions of Directors, Supervisors, chief executive and senior management of the Company and any of the associated corporations within the meaning of Part XV of the SFO, which are required to be (i) notified to the Company and HKEx pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and HKEx pursuant to the Model Code, were as follows:

Directors/Supervisors/ Senior Management	Relevant Entity	Capacity	Number of Domestic Shares (Long Position)	Number of H Shares (Long Position)	Approximate Percentage of the Total Registered Capital of the Relevant Entity
Directors					
Mr. Pang Baogen	The Company	Individual	193,753,054		33.05%
Mr. Gao Jiming	The Company	Individual	12,059,254	–	2.06%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.63%
Mr. Gao Jun	The Company	Individual	5,794,259	–	0.99%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.42%
Supervisors					
Wang Jianguo	The Company	Individual	5,250,290	–	0.90%
Wang Jianguo	Zhejiang Baoye Curtain Wall Decoration	Individual	8,487,363		16.94%
Senior Management					
Mr. Lou Zhonghua	The Company	Individual	4,533,172	–	0.77%
Mr. Wang Rongbiao	The Company	Individual	2,647,911	–	0.45%

Directors' and Supervisors' Rights to Acquire Shares or Debentures

At no time during the period under review, did the Company or any of its subsidiaries make any arrangement to enable the Directors, the Supervisors and their respective spouses or children under 18 years of age, to benefit from acquisition of the shares or debentures of the Company or any other corporation.

Changes of Directors, Supervisors and Senior Management

During the period under review, there was no change of Directors, Supervisors and Senior management.

Other Information

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.

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

Other Information

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 report, the Group had no material litigation and arbitration.

Entrusted Deposits and Overdue Time Deposits

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

Appreciation

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

By Order of the Board

Baoye Group Company Limited

Pang Baogen

Chairman

Zhejiang, the PRC

25 August 2017

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF BAOYE GROUP COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 32 to 58, which comprises the interim condensed consolidated balance sheet of Baoye Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 August 2017

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

INTERIM FINANCIAL INFORMATION

Interim Condensed Consolidated Balance Sheet

	<i>Note</i>	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Land use rights	7	480,634	498,057
Property, plant and equipment	7	1,401,030	1,304,910
Investment properties	7	597,079	597,079
Goodwill		16,534	16,534
Prepayments	10	20,000	–
Investments in joint ventures		129,492	86,430
Investments in associates		12,736	13,741
Available-for-sale financial assets	5	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	8	2,808,659	2,965,894
Trade receivables	9	3,371,448	2,840,194
Other receivables and prepayments	10	1,917,197	1,838,620
Loan to a joint venture	24	62,630	61,528
Available-for-sale financial assets	5	463,000	678,590
Financial assets at fair value through profit or loss	5	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
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	586,210	612,372
Share premium	11	565,872	671,665
Treasury shares	11	–	(13,535)
Reserves	12	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

INTERIM FINANCIAL INFORMATION

Interim Condensed Consolidated Balance Sheet (continued)

	<i>Note</i>	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	14	350,000	–
Deferred income tax liabilities		76,250	72,453
		426,250	72,453
Current liabilities			
Trade payables	13	4,652,550	4,657,721
Other payables		2,686,367	2,769,174
Receipts in advance	15	4,238,350	4,635,735
Current income tax liabilities		406,267	575,032
Due to customers on construction contracts	8	2,887,000	2,717,934
Borrowings	14	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

The notes on pages 39 to 58 form an integral part of this interim financial information.

Approved by the Board of Directors on 25 August 2017 and were signed on its behalf.

Pang Baogen
Director

Gao Jiming
Director

INTERIM FINANCIAL INFORMATION

Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Revenue	6	9,383,941	10,845,641
Cost of sales		(8,644,004)	(10,234,172)
Gross profit		739,937	611,469
Other income	16	36,399	45,974
Other gains – net	17	32,124	6,251
Selling and marketing costs		(40,521)	(35,840)
Administrative expenses		(245,582)	(222,000)
Operating profit	18	522,357	405,854
Finance costs	19	–	–
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	20	(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)	21	0.55	0.43

The notes on pages 39 to 58 form an integral part of this interim financial information.

INTERIM FINANCIAL INFORMATION

Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Profit for the period	331,300	257,246
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Transfer of reserves to income statement upon sale of available-for-sale financial assets, net of tax	(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

The notes on pages 39 to 58 form an integral part of this interim financial information.

INTERIM FINANCIAL INFORMATION

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Reserves	Retained profits	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2017	612,372	671,665	(13,535)	184,341	5,372,104	6,826,947	170,753	6,997,700
Comprehensive income								
Profit for the period	-	-	-	-	323,716	323,716	7,584	331,300
Other comprehensive income	-	-	-	441	-	441	-	441
Total comprehensive income for the period	-	-	-	441	323,716	324,157	7,584	331,741
Transactions with owners in their capacity as owners								
Buy-back and cancellation of shares	(26,162)	(105,793)	13,535	-	-	(118,420)	-	(118,420)
Capital contributions by non-controlling interests	-	-	-	-	-	-	10,900	10,900
Disposal of interests in subsidiaries	-	-	-	-	-	-	(17,677)	(17,677)
Total transactions with owners	(26,162)	(105,793)	13,535	-	-	(118,420)	(6,777)	(125,197)
Balance at 30 June 2017	586,210	565,872	-	184,782	5,695,820	7,032,684	171,560	7,204,244

INTERIM FINANCIAL INFORMATION

Interim Condensed Consolidated Statement of Changes in Equity (continued)

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

The notes on pages 39 to 58 form an integral part of this interim financial information.

INTERIM FINANCIAL INFORMATION

Interim Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Cash generated from operations	169,088	556,151
Interest paid	(9,783)	(17,996)
Income tax paid	(346,750)	(260,162)
Net cash (used in)/generated from operating activities	(187,445)	277,993
Cash flows from investing activities		
Repayment of loans by a joint venture	–	35,133
Payments for investments in joint ventures	(47,100)	–
Payments for investment	(20,000)	–
Purchase of financial assets at fair value through profit or loss	(304,590)	–
Proceed from sales of financial assets at fair value through profit or loss	808,114	–
Proceed from disposal of subsidiaries	34,085	–
Dividends received from an associate	400	–
Loan to an associate	–	(3,997)
Purchase of available-for-sale financial assets	(463,000)	(385,800)
Proceed from sales of available-for-sale financial assets	688,047	223,813
Purchase of property, plant and equipment	(158,798)	(121,749)
Proceeds from sale of property, plant and equipment	4,874	3,569
Proceeds from sale of land use rights	9,600	–
Decrease of term deposits with initial term of over three months	5,151	17,609
Interest received	35,297	44,946
Net cash generated from/(used in) investing activities	592,080	(186,476)
Cash flows from financing activities		
Proceeds from borrowings	937,000	703,000
Repayments of borrowings	(232,000)	(867,000)
Repurchase of shares	(87,273)	–
Capital contributions by non-controlling interests	10,900	20,000
Loan from non-controlling interests	60,347	18,584
Acquisition of non-control interests	–	(5,000)
Dividends paid to non-controlling interests	–	(900)
Net cash generated from/(used in) financing activities	688,974	(131,316)
Net increase/(decrease) in cash and cash equivalents	1,093,609	(39,799)
Cash and cash equivalents at beginning of the period	2,885,736	3,170,058
Cash and cash equivalents at end of the period	3,979,345	3,130,259

The notes on pages 39 to 58 form an integral part of this interim financial information.

INTERIM FINANCIAL INFORMATION**Notes to the Interim Financial Information****1 General Information**

Baoye Group Company Limited (the “Company”) was established as a limited liability company in the People’s Republic of China (the “PRC”) and the H shares of the Company (“H Share”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 30 June 2003.

The address of the Company’s registered office is Yangxunqiao Township, Keqiao District Shaoxing City, Zhejiang Province, the PRC.

The principal activities of the Company and its subsidiaries (collectively, the “Group”) are the provision of construction services, development and sale of properties and manufacturing and distribution of building materials in the PRC.

This interim financial information for the six months ended 30 June 2017 (“Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated.

2 Basis of Preparation

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

INTERIM FINANCIAL INFORMATION

Notes to the Interim Financial Information (continued)

3 Accounting Policies

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.

- (a) 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.
- (b) New and revised standards and amendments to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted:

		Effective for the financial year beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts "Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts"	1 January 2018
HKFRS 1 (Amendments)	First time adoption of HKFRS	1 January 2018
HKAS 28 (Amendments)	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associates or joint venture	To be determined

3 Accounting Policies (continued)

- (b) New and revised standards and amendments to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted: (Continued)

The above new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2017 and have not been applied in preparing this Interim Financial Information. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following:

- (i) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- The debt instruments that are currently classified as available-for-sale (AFS) financial assets appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.
- A FVOCI election is available for the equity instruments which are currently classified as AFS.
- Equity investments currently measured at fair value through profit or loss (FVPL) will likely continue to be measured on the same basis under HKFRS 9.

There will be 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 (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKIFRS 15 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Management has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

INTERIM FINANCIAL INFORMATION

Notes to the Interim Financial Information (continued)

3 Accounting Policies (continued)

(b) New and revised standards and amendments to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted (Continued):

(ii) HKFRS 15 Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

- Revenue from pre-sales of properties under development and revenue from sales of building materials specially made for certain customers may not be recognised at a point in time. Instead, some may be resulted in recognition of revenue over a period of time depending on the terms of the contract.
- The timing of revenue recognition for sale of a completed property and sale of building materials, which is currently based on whether significant risk and reward of ownership of properties and products transfer, may also need to be revisited under the control transfer model.
- The Group currently offers different payment plans to customers, which may have to adjust the transaction price for revenue recognition when significant financial component exists.

The Group is performing a more detailed assessment on the impact on the Group. At this stage, the Group is not able to quantify the impact of the new standard on the Group's consolidated financial statements.

4 Estimates

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2016 Financial Statements.

INTERIM FINANCIAL INFORMATION

5 Financial Risk Management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2016 Financial Statements.

There have been no changes in the risk management policies since year end.

5.2 Foreign exchange risk, interest rate risk and liquidity risk

Compared to 31 December 2016, there was no material change in the balance of monetary assets and liabilities denominated in foreign currencies such as US dollar and Djibouti Franc as at 30 June 2017. With respect to the interest rate of the bank borrowings as at 30 June 2017, there was no material change compared to that at the end of 2016.

In addition, compared to 31 December 2016, there was no material change in the contractual undiscounted cash out flows for financial liabilities as at 30 June 2017.

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

INTERIM FINANCIAL INFORMATION

Notes to the Interim Financial Information (continued)

5 Financial Risk Management (continued)

5.3 Fair value estimation (continued)

The following tables present the Group's financial assets that are measured at fair value at 30 June 2017 and 31 December 2016. See Note 7 for disclosures of the investment properties that are measured at fair value.

	As at 30 June 2017			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Monetary funds	304,590	–	–	304,590
Available-for-sale financial assets				
– Equity securities	9,285	–	–	9,285
– Bank financial products	–	–	463,000	463,000
	313,875	–	463,000	776,875

	As at 31 December 2016			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Monetary funds	796,269	–	–	796,269
Available-for-sale financial assets				
– Equity securities	8,697	–	–	8,697
– Bank financial products	–	–	678,590	678,590
	804,966	–	678,590	1,483,556

During the period, there were no reclassifications of financial assets, as well as no transfer among Levels 1, 2 and 3.

There were no other changes in valuation techniques during the period.

INTERIM FINANCIAL INFORMATION

5 Financial Risk Management (continued)**5.3 Fair value estimation** (continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June.

	Bank financial products Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Opening balance	678,590	624,310
Additions	463,000	385,800
Disposal	(688,047)	(223,813)
Fair value gain recognised in other comprehensive income	9,457	11,103
Closing balance	463,000	797,400

5.4 Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purpose, including Level 3 fair values. The financial department reports directly to the executive directors. Discussions of valuation results are held between the executive directors and the financial department at least once every six months, in line with the Group's interim and annual reporting dates.

5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of financial assets and liabilities measured at amortised cost approximates their carrying amounts.

INTERIM FINANCIAL INFORMATION

Notes to the Interim Financial Information (continued)

6 Segment Information

The executive directors (chief operating decision-maker) assess the performance of the operating segments based on a measurement of operating profit. This measurement basis excludes financial costs and share of results of associates and joint ventures from the operating segments. Other information provided to the executive directors is measured in a manner consistent with that in the consolidated financial statements. There has been no change in the basis of the segmentation or in the basis of the measurement of the segment profit or loss for the six months ended 30 June 2017 compared to 2016.

Sales between segments are carried out on terms agreed upon by the respective parties. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the condensed consolidated income statement.

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

The unaudited segment information provided to executive directors for the reportable segments for the six months ended 30 June 2017 is as follows:

	Six months ended 30 June 2017				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group 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

INTERIM FINANCIAL INFORMATION

6 Segment Information (continued)

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

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

The reconciliation of the operating profit to profit before income tax is shown in the condensed consolidated income statement.

There has been no material change in total assets and total liabilities from the amount disclosed in the 2016 Financial Statements.

INTERIM FINANCIAL INFORMATION

Notes to the Interim Financial Information (continued)

7 Land Use Rights, Property, Plant and Equipment and Investment Properties

	Land use rights RMB'000	Property, plant and equipment RMB'000	Investment properties RMB'000
Six months ended 30 June 2017			
Opening net book amount as at 1 January 2017	498,057	1,304,910	597,079
Additions	–	158,798	–
Disposals	(11,067)	(2,047)	–
Disposal of subsidiaries	–	(3,744)	–
Amortisation/depreciation	(6,356)	(56,887)	–
Closing net book amount as at 30 June 2017	480,634	1,401,030	597,079
Six months ended 30 June 2016			
Opening net book amount as at 1 January 2016	480,752	1,240,692	597,079
Additions	–	121,749	–
Disposals	–	(13,046)	–
Amortisation/depreciation	(6,369)	(53,067)	–
Closing net book amount as at 30 June 2016	474,383	1,296,328	597,079

The valuations of investment properties at 30 June 2017 and 30 June 2016 were carried out by the management, using discounted cash flow projections based on significant unobservable inputs. The fair value measurement of the investment properties is categorised within level 3 of the fair value hierarchy. The key assumptions used in the valuation are rental cash inflows, capitalisation rates and discount rates.

There was no significant indication of impairment for non-financial assets during the period.

INTERIM FINANCIAL INFORMATION

8 Due From/(to) Customers on Construction Contracts

	30 June 2017 RMB'000	31 December 2016 RMB'000
Contract costs incurred plus recognised profits (less recognised losses) to date	57,723,647	58,768,914
Less: progress billings to date	(57,801,988)	(58,520,954)
	(78,341)	247,960
Represented by:		
Due from customers on construction contracts	2,808,659	2,965,894
Due to customers on construction contracts	(2,887,000)	(2,717,934)
	(78,341)	247,960

9 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).

INTERIM FINANCIAL INFORMATION

Notes to the Interim Financial Information (continued)

9 Trade Receivables (continued)

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

10 Other Receivables and Prepayments

	30 June 2017 RMB'000	31 December 2016 RMB'000
Non-current asset		
Prepayments for investment (i)	20,000	–
Current assets		
Retention money and project deposits	1,028,240	1,078,207
Prepayments for land use rights for properties development	441,000	172,092
Prepaid taxes	81,461	127,769
Prepayments for buy-back of shares	–	31,147
Other prepayments	59,221	99,947
Others	307,275	329,458
	1,917,197	1,838,620
	1,937,197	1,838,620

(i) In May 2017, the Group entered into an agreement to inject capital to Shanghai Research Institute of Building Sciences Group with a total consideration of RMB232,226,000. As at 30 June 2017, the Group paid RMB20,000,000 and the remaining RMB212,226,000 was paid in July 2017. The company has become an associate upon the completion of the acquisition.

INTERIM FINANCIAL INFORMATION

11 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

INTERIM FINANCIAL INFORMATION

Notes to the Interim Financial Information (continued)

12 Reserves

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

INTERIM FINANCIAL INFORMATION

13 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

14 Borrowings

	30 June 2017 RMB'000	31 December 2016 RMB'000
Non-current liabilities		
– Secured (a)	350,000	–
Current liabilities		
Short-term bank borrowings		
– Secured (a)	50,000	50,000
– Unsecured with guarantee (b)	537,000	90,000
– Guarantee by the companies within the Group	50,560	142,560
	637,560	282,560
	987,560	282,560

INTERIM FINANCIAL INFORMATION

Notes to the Interim Financial Information (continued)

14 Borrowings (continued)

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Opening amount as at 1 January	282,560	537,000
Addition of borrowings	937,000	703,000
Repayment of borrowings	(232,000)	(867,000)
Closing amount as at 30 June	987,560	373,000

(a) Secured bank borrowings of the Group were secured by:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Properties under development	825,188	–
Property, plant and equipment	20,118	20,679
Land use rights	8,046	8,157
	853,352	28,836

(b) RMB50,000,000 of these loans are jointly guaranteed by Mr. Pang Baogen and the Company, and the remainder of these loans are guaranteed by the Company. Mr. Pang Baogen is the chairman of the Board of Directors, as well as a major shareholder of the Company.

All the carrying amounts of bank borrowings are denominated in RMB. The weighted average effective annual interest rate of bank borrowings at 30 June 2017 was 4.66% (as at 31 December 2016: 4.16%).

15 Receipts in Advance

Receipts in advance mainly represent proceeds from pre-sale of the properties.

16 Other Income

Other income represents interest income from bank deposits and loans to project managers.

INTERIM FINANCIAL INFORMATION

17 Other Gains – Net

	Six months ended 30 June	
	2017 RMB'000	2016 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

18 Operating Profit

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Depreciation of property, plant and equipment	56,887	53,067
Amortisation of land use rights	6,356	6,369
Employee benefit expenses	1,941,347	2,390,705
Cost of construction contracts	4,870,703	5,258,429
Cost of properties sold	1,255,112	1,847,012
Changes in inventories of finished goods and work in progress	2,011	427
Raw materials and consumables used	670,118	799,066
Operating leases of buildings	4,337	3,565

INTERIM FINANCIAL INFORMATION

Notes to the Interim Financial Information (continued)

19 Finance Costs

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Interest on borrowings	9,783	17,996
Less: interest capitalised in properties under development	(9,783)	(17,996)
	-	-

20 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 RMB'000	2016 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

INTERIM FINANCIAL INFORMATION

21 Earnings Per Share

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

	Six months ended 30 June	
	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.

22 Dividends

The Board did not recommend any payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016:nil). The Board also did not recommend any payment of final dividend for the year ended 31 December 2016.

23 Financial Guarantees

	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 certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by the Group. The banks will release such guarantees upon the delivery of the building ownership certificates of such properties to banks as securities.

INTERIM FINANCIAL INFORMATION

Notes to the Interim Financial Information (continued)

24 Related-Party Transactions

During the period, the Group made no additional advances to a joint venture (six months ended 30 June 2016: RMB3,997,000). The balance of advances as at 30 June 2017 was unsecured and repayable on demand, bearing interest at 4% per annum (31 December 2016: 4%).

Apart from those related party transactions disclosed above and in Note 14(b), the Group have the following transactions and balances with related parties:

(a) Purchase of goods and services

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Purchase of goods:		
– A joint venture	1,683	3,208
Purchase of services:		
– A joint venture	253	1,708
	1,936	4,916

(b) Period-end balances arising from purchase of goods and services

	30 June 2017 RMB'000	31 December 2016 RMB'000
Trade payables – related parties:		
– A joint venture	3,144	24,368

DEFINITIONS

In this interim report, unless the context otherwise requires, the following expressions have the following meanings:

Anhui Baoye	Baoye Anhui Company Limited, a subsidiary of the Company
Baoye Construction	Zhejiang Baoye Construction Group Company Limited, a subsidiary of the Company
Baoye Industrialisation	Zhejiang Baoye Building Materials Industrialisation Company Limited, a subsidiary of the Company
Baoye Real Estate	Zhejiang Baoye Real Estate Group Company Limited, a subsidiary of the Company
Board	the board of Directors
Building materials business	the activities of research and development, production and sale of building materials conducted by the Group
Company Law	the Company Law of the People's Republic of China
Construction business	the activities of undertaking and implementation of construction projects conducted by the Group
Director(s)	the director(s) of the Company
H share	Overseas listed foreign share of nominal value RMB1.00 each in the registered capital of the Company, which are listed on the Stock Exchange and subscribed for in Hong Kong dollars
HKEx	Hong Kong Exchanges and Clearing Limited
HKFRS	Hong Kong Financial Reporting Standards
Hubei Baoye	Baoye Hubei Construction Group Company Limited, a subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Property development business	the activities of development of real estate conducted by the Group
SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong

Definitions

Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
The Company/Baoye	Baoye Group Company Limited, a joint stock limited company incorporated in the PRC and listed on the main board of the Stock Exchange
The Group/Baoye Group	the Company and its subsidiaries
The Period	the six months ended 30 June 2017