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

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

(Stock Code: 2355)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020
AND
CHANGE OF REGISTERED ADDRESS NAME

The board (the “**Board**”) of directors (the “**Directors**”) of Baoye Group Company Limited* (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2019. The following financial information is extracted from the audited consolidated financial statements as set out in the Group’s 2020 Annual Report.

* For identification purpose only

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	4	25,275,453	24,799,413
Cost of sales		<u>(23,198,277)</u>	<u>(22,762,606)</u>
Gross profit		2,077,176	2,036,807
Other income	5	182,886	149,890
Other gains – net	6	23,696	135,016
Selling and marketing costs		(164,377)	(101,131)
Administrative expenses		(677,520)	(664,081)
Net impairment losses on financial and contract assets		<u>(49,532)</u>	<u>(72,839)</u>
Operating profit		1,392,329	1,483,662
Finance income		11,247	5,505
Finance costs		(96,897)	(104,697)
Finance costs – net		(85,650)	(99,192)
Share of results of investments accounted for using the equity method		<u>(12,170)</u>	<u>(12,831)</u>
Profit before income tax		1,294,509	1,371,639
Income tax expenses	7	<u>(462,698)</u>	<u>(459,632)</u>
Profit for the year		831,811	912,007
Profit attributable to:			
– Owners of the Company		794,084	856,691
– Non-controlling interests		37,727	55,316
		<u>831,811</u>	<u>912,007</u>
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB per share)	8	<u>1.41</u>	<u>1.52</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	831,811	912,007
Other comprehensive income:		
<i>Items that will be reclassified to profit or loss</i>		
Currency translation differences	(213)	–
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	(4,222)	(3,453)
Total other comprehensive loss for the year, net of tax	(4,435)	(3,453)
Total comprehensive income for the year	827,376	908,554
Total comprehensive income attributable to:		
– Owners of the Company	789,649	853,238
– Non-controlling interests	37,727	55,316
Total comprehensive income for the year	827,376	908,554

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,798,312	2,628,086
Right-of-use assets		686,963	675,895
Investment properties		764,969	766,435
Goodwill		16,534	16,534
Investments accounted for using the equity method	10	676,769	502,189
Trade and other receivables	11	613,074	826,115
Financial assets at fair value through other comprehensive income		222,568	228,197
Financial assets at fair value through profit or loss		6,752	8,486
Deferred income tax assets		253,418	273,097
		<u>6,039,359</u>	<u>5,925,034</u>
Current assets			
Inventories		288,654	193,689
Properties under development		11,049,231	5,075,556
Completed properties held for sale		2,826,601	3,265,564
Contract assets	4	5,487,756	3,814,297
Trade and other receivables	11	6,632,126	9,458,226
Financial assets at fair value through profit or loss		753,600	558,000
Restricted bank deposits		1,553,935	719,015
Term deposits with initial term of over three months		282,157	303,390
Cash and cash equivalents		7,261,532	5,504,968
		<u>36,135,592</u>	<u>28,892,705</u>
Total assets		<u>42,174,951</u>	<u>34,817,739</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium		1,044,097	1,044,097
Other reserves		208,997	209,296
Retained earnings		8,726,599	7,936,651
		<u>9,979,693</u>	<u>9,190,044</u>
Non-controlling interests		<u>375,653</u>	<u>393,861</u>
Total equity		<u>10,355,346</u>	<u>9,583,905</u>
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		2,219,700	1,961,000
Lease liabilities		1,761	1,947
Deferred income tax liabilities		151,535	179,934
		<u>2,372,996</u>	<u>2,142,881</u>
Current liabilities			
Contract liabilities	4	11,243,496	6,940,932
Trade and other payables	12	15,420,229	12,781,795
Lease liabilities		403	7,803
Bank and other borrowings		2,434,155	2,838,689
Current income tax liabilities		348,326	521,734
		<u>29,446,609</u>	<u>23,090,953</u>
Total liabilities		<u>31,819,605</u>	<u>25,233,834</u>
Total equity and liabilities		<u>42,174,951</u>	<u>34,817,739</u>

Notes:

1. GENERAL INFORMATION

Baoye Group Company Limited (the “**Company**”) was established as a limited liability company in the People’s Republic of China (the “**PRC**”) and the H shares of the Company 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 Subdistrict, Keqiao District, Shaoxing City, Zhejiang Province, the PRC.

These financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2021.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) and the disclosure requirement of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (“**financial assets at FVPL**”), financial assets at fair value through other comprehensive income (“**financial assets at FVOCI**”) and investment properties, which are carried at fair value.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in current year:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The adoption of the new and amended standards listed above did not have a material impact on or are not relevant to the Group.

(b) New, revised and amended standards and interpretations not yet adopted

Certain new and revised standards, amendments and interpretations to existing standards have been published that are not effective in current year and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	COVID-19-related rent concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark (IBOR) reform – phase 2	1 January 2021
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – Cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual improvements to HKFRS Standards 2018 to 2020	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The above new and revised standards, amendments and interpretations to existing standards are effective for annual periods beginning on or after 1 June 2020 and have not been applied in preparing these consolidated financial statements. Based on management's preliminary assessment, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

The Company was domiciled in the PRC. The Group's business activities were mainly carried out in the PRC where the vast majority of the Group's assets were located.

The Group's non-current assets other than financial instruments and deferred tax assets located mainly in the PRC.

(a) **Analysis of revenue by category**

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Provision of construction services	20,433,386	19,029,840
Sale of properties	1,972,143	2,089,186
Sale of building materials	2,486,406	3,203,090
Rental income	108,818	79,914
Others	274,700	397,383
	<u>25,275,453</u>	<u>24,799,413</u>

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

(b) **Assets and liabilities related to contracts with customers**

Details of contract assets are as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Relating to construction services	5,025,646	3,313,205
Relating to installation of building materials	491,303	515,116
	<u>5,516,949</u>	<u>3,828,321</u>
Less: provision for loss allowance	<u>(29,193)</u>	<u>(14,024)</u>
Total contract assets	<u>5,487,756</u>	<u>3,814,297</u>

Contract assets consist of unbilled amounts resulting from rendering of construction services and installation of building materials when the revenue recognised exceeds the amount billed to the customer. The increase in contract assets was primarily due to the growth of construction services the Group rendered.

Details of contract liabilities are as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Related to construction services	2,986,896	2,825,878
Related to sale of properties	7,734,924	3,570,940
Related to sale of building materials	521,676	544,114
Total contract liabilities	<u>11,243,496</u>	<u>6,940,932</u>

Contract liabilities of the Group mainly arose from the advance payments made by customers while the underlying properties, goods or services are yet to be provided. The increase in contract liabilities was primarily due to the growth of the sales of properties.

5. OTHER INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income on		
– Financial assets held as investments	115,251	115,038
– Advances to project managers and joint ventures	67,635	34,852
	<u>182,886</u>	<u>149,890</u>

6. OTHER GAINS – NET

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Government grants and compensation	40,397	25,838
Gains on disposal of financial assets at FVPL	19,610	22,613
Gains on disposal of an associate	–	48,470
Fair value losses of investment properties	(1,466)	(2,688)
Fair value losses of financial assets at FVPL	(1,734)	(241)
(Losses)/gains on disposal of property, plant and equipment	(10,517)	6,635
(Losses)/gains on disposal of subsidiaries	(13,133)	5,667
Donations	(7,825)	(5,492)
Net foreign exchange (losses)/gains	(10,642)	4,721
Others	9,006	29,493
	<u>23,696</u>	<u>135,016</u>

7. INCOME TAX EXPENSES

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax		
– PRC CIT	317,428	318,525
– Land appreciation tax	152,583	139,295
Deferred income tax		
– PRC CIT	3,772	13,834
– Land appreciation tax	(11,085)	(12,022)
	<u>462,698</u>	<u>459,632</u>

(a) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profit for the year (2019: Nil).

(b) PRC corporate income tax

PRC Corporate Income Tax (“CIT”) is provided on the assessable income of the Group’s entities incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC.

Certain subsidiaries of the Group in the PRC have been approved as High and New Technology Enterprise and were entitled to a preferential CIT rate of 15% during their respective approved periods according to the applicable CIT law.

Save as aforesaid, the Company and other major subsidiaries were subject to CIT at a rate of 25% (2019: 25%).

(c) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year excluding treasury shares.

	2020	2019
Profit attributable to the owners of the Company (RMB’000)	<u>794,084</u>	<u>856,691</u>
Weighted average number of ordinary shares in issue during the year (thousands shares)	<u>562,664</u>	<u>562,664</u>
Basic earnings per share (RMB yuan)	<u>1.41</u>	<u>1.52</u>

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

9. DIVIDENDS

The board of directors did not recommend any payment of final dividend for the year ended 31 December 2020 (2019: Nil).

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Investments in joint ventures(a)	462,799	457,465
Investments in associates (b)	213,970	44,724
	<u>676,769</u>	<u>502,189</u>

(a) Investments in joint ventures

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	457,465	244,322
Transfer from investments in subsidiaries	–	17,000
Other additions	2,750	200,603
Share of results (i)	2,584	(4,460)
	<u>462,799</u>	<u>457,465</u>
At 31 December	462,799	457,465
Represented by share of net assets	<u>462,799</u>	<u>457,465</u>

(i) Share of results of joint ventures in consolidated income statement represented:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Share of operating results	2,584	(4,460)
Recovery of impaired loans	–	284
	<u>2,584</u>	<u>(4,176)</u>

As at 31 December 2020, there were no contingent liabilities relating to the Group's interest in the joint ventures.

The directors of the Company considered that none of the joint ventures was significant to the Group and thus the individual financial information of the joint ventures was not disclosed.

(b) Investments in associates

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	44,724	323,693
Additions	184,000	–
Disposals	–	(270,314)
Share of results	(14,754)	(8,655)
	<u>213,970</u>	<u>44,724</u>
At 31 December	213,970	44,724
Represented by share of net assets	<u>213,970</u>	<u>44,724</u>

As at 31 December 2020, there were no contingent liabilities relating to the Group's interest in the associates.

The directors of the Company considered that none of the associates were significant to the Group and thus the individual financial information of the associates was not disclosed.

11. TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current assets		
Loans to joint ventures (a)	384,624	593,705
Loans to associates (b)	228,450	232,410
	<u>613,074</u>	<u>826,115</u>
Current assets		
Trade receivables (c)	4,023,446	4,913,974
Other receivables and prepayments (d)	2,306,408	4,244,874
Loans to joint ventures (a)	294,958	290,054
Loans to associates (b)	7,314	9,324
	<u>6,632,126</u>	<u>9,458,226</u>

(a) Loans to joint ventures

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	892,976	393,822
Additions	237,500	693,589
Interest accrued	20,500	15,563
Repayments	(463,794)	(210,282)
Recovery of impaired loans	–	284
	<u>687,182</u>	<u>892,976</u>
Less: provision for loss allowance	(7,600)	(9,217)
	<u>679,582</u>	<u>883,759</u>
At 31 December	679,582	883,759
Less: current portion	(294,958)	(290,054)
	<u>384,624</u>	<u>593,705</u>

RMB275,023,000 (2019: RMB314,372,000) of loans to joint ventures are interest-bearing at market lending rates range from 4% to 5.22% (2019: 4% to 5.28%) with maturity date of 31 December 2020, and the remaining amounts of the loans are interest-free, unsecured and repayable on demand.

(b) **Loans to associates**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	244,176	639,995
Additions	–	4,000
Repayments	(6,031)	(402,868)
Interest accrued	–	3,049
	<u>238,145</u>	<u>244,176</u>
Less: provision for loss allowance	(2,381)	(2,442)
	<u>235,764</u>	<u>241,734</u>
At 31 December	235,764	241,734
Less: current portion	(7,314)	(9,324)
	<u>228,450</u>	<u>232,410</u>
Non-current portion	<u>228,450</u>	<u>232,410</u>

Loans to associates are unsecured and repayable on demand.

(c) **Trade receivables**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	4,330,627	5,185,563
Less: provision for loss allowance	(307,181)	(271,589)
	<u>4,023,446</u>	<u>4,913,974</u>

Customers are generally granted credit terms of 1 to 3 months for construction business, 1 to 12 months for building materials business and no credit terms for property development business (except for instalment arrangement).

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	1,496,710	1,897,554
3 months to 1 year	1,109,437	1,852,451
1 to 2 years	1,102,773	793,735
2 to 3 years	379,662	443,070
Over 3 years	242,045	198,753
	<u>4,330,627</u>	<u>5,185,563</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2020, a provision of RMB307,181,000 (2019: RMB271,589,000) was made against the gross amount of trade receivables.

There was no concentration of credit risk with respect to trade receivables, as the Group had a large number of customers.

The gross amounts of the Group's trade receivables were denominated in the following currencies:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Denominated in:		
– RMB	4,260,710	5,101,374
– Other	69,917	84,189
	<u>4,330,627</u>	<u>5,185,563</u>

As at 31 December 2020, the carrying value of trade receivables approximated their fair value.

(d) Other receivables and prepayments

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other receivables:		
– Retention money and project deposits	906,292	842,095
– Advances to project managers	101,145	150,618
– Bidding deposits for land use rights for property development	–	122,500
– Others	457,871	407,939
	<u>1,465,308</u>	<u>1,523,152</u>
Less: provision for loss allowance	(7,440)	(6,991)
	<u>1,457,868</u>	<u>1,516,161</u>
Prepayments:		
– Prepayments for land use rights for property development	727,071	2,542,875
– Prepaid income tax	45,983	99,346
– Others	75,486	86,492
	<u>848,540</u>	<u>2,728,713</u>
Other receivables and prepayments	<u>2,306,408</u>	<u>4,244,874</u>

Advances to project managers are unsecured and interest-bearing at market lending rates.

As at 31 December 2020, the carrying value of other receivables approximated their fair value.

As at 31 December 2020, the carrying amounts of other receivables and prepayments were mainly denominated in RMB.

12. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables (a)	8,109,165	7,463,614
Other payables (b)	7,311,064	5,318,181
	<u>15,420,229</u>	<u>12,781,795</u>

(a) Trade payables

As at 31 December 2020, the ageing analysis of the trade payables based on invoice date was as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	3,910,773	3,737,176
3 months to 1 year	2,715,607	2,554,511
1 to 2 years	777,780	743,431
2 to 3 years	563,460	309,436
Over 3 years	141,545	119,060
	<u>8,109,165</u>	<u>7,463,614</u>

The carrying amounts are considered to be the same as their fair values, due to their short-term nature.

(b) Other payables

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Deposits from project managers	3,219,586	2,470,910
Loans from non-controlling interests (i)	1,271,312	826,187
Advance from government for housing demolition and relocation (ii)	450,591	450,591
Deposits from property purchasers	742,656	339,511
Other taxes payables	450,515	298,990
Salaries payables	99,096	86,815
Others	1,077,308	845,177
	<u>7,311,064</u>	<u>5,318,181</u>

(i) Loans from non-controlling interests were unsecured, interest free and repayable on demand.

(ii) Amount represents the advance received from the government for housing demolition and relocation projects. The amount will be used for paying housing demolition and relocation cost in relation to clearing a land owned by the Group to be sold to the government.

The carrying amounts are considered to be the same as their fair values, due to their short-term nature.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 11 June 2021 (the “**AGM**”). The notice of the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 May 2021 to 11 June 2021, both dates inclusive, during which period no share transfers will be affected. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s H Shares registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for holders of H Shares), or to the Company’s office address at No.1687 Guazhu East Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Domestic Shares) no later than 4:30 pm on 11 May 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the year ended 31 December 2020, the Group achieved a consolidated revenue of approximately RMB25,275,453,000 (2019: RMB24,799,413,000), representing an increase of approximately 1.9% compared to the previous year; operating profit reached approximately RMB1,392,329,000, (2019: RMB1,483,662,000), representing a decrease of approximately 6.2% compared to last year; profit attributable to the owners of the Company amounted to approximately RMB794,084,000 (2019: RMB856,691,000), representing a decrease of approximately 7.3% from last year, earnings per share was RMB1.41 (2019: RMB1.52), representing a decrease of approximately 7.2% from last year.

In 2020, affected by the new epidemic, the domestic and foreign economies faced severe challenges. Under the leadership of the board of directors, the Company’s operating performance was basically the same as last year. In addition to the prevention and control of the epidemic for the group’s employees, the construction business sector of the Group solicited anti-epidemic materials, donated money and materials, and assisted in the construction of Wuhan Fangcang Hospital and resettlement sites in the most difficult period. When the epidemic is basically under control, the project departments are quickly and orderly organized to resume work and production, and construction efficiency is improved to ensure the smooth progress of project construction. In the real estate development business, the Group applied relatively abundant internal cash resources to increase its land reserves by approximately 203,000 square meters during the year. In the context of the country’s policy of “no speculation in housing” in the real estate industry, the regional market segmentation in this respect has become more apparent. The Group’s real estate development business is mainly concentrated in the Yangtze River Delta and Hubei whose economy more developed and active. In 2020, the Group’s real estate development business also seized the opportunity of the market rebound after the epidemic. During the year, major real estate projects were accelerated and the sales position was good, which lays a solid foundation for housing

delivery of sales units in the next two to three years. As for the building materials business segment, especially some building materials divisions located in Hubei, has been greatly affected by the epidemic in actual operating time, and there has been a certain degree of decline in operating performance during the year. In the future, the Group will continue to increase a certain amount of land reserves in the market that the Group is familiar with and the economy is active to ensure the sustainable development of the real estate development business. At the same time, the Group will continue to explore the market-oriented application of building industrialization to help achievement of the national targets of “carbon-emission neutral” and “carbon-emission peak”. Based on the above considerations, the board of directors recommends not to distribute the final dividend of 2020.

Revenue

	For the year ended 31 December				Change
	2020		2019		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Construction	20,433,386	81%	19,029,840	77%	7%
Property Development	1,972,143	8%	2,089,186	8%	-6%
Building Materials	2,486,406	10%	3,203,090	13%	-22%
Others	383,518	1%	477,297	2%	-20%
Total	25,275,453	100%	24,799,413	100%	2%

Operating profit

	For the year ended 31 December				Change
	2020		2019		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Construction	545,212	39%	467,100	31%	17%
Property Development	725,085	52%	757,445	51%	-4%
Building Materials	110,300	8%	156,238	11%	-29%
Others	11,732	1%	102,879	7%	-89%
Total	1,392,329	100%	1,483,662	100	-6%

Operating profit rate

	For the year ended 31 December		
	2020	2019	Change
Construction	2.7%	2.5%	7%
Property Development	36.8%	36.3%	1%
Building Materials	4.4%	4.9%	-9%
Others	3.1%	21.6%	-86%

Construction Business

For the year ended 31 December 2020, the Group's construction business achieved revenue of approximately RMB20,433,386,000, up approximately 7% over last year; operating profit amounted to approximately RMB545,212,000, up approximately 17% over last year. The increase in revenue and operating profit of the construction business was mainly due to the projects with high gross profit margin recognized more revenue in the current period, and the quality management and control of projects was improved, so the gross profit margin of the construction business has increased compared with last year.

Facing the challenges of the epidemic and the domestic and foreign situation, the state proposed to firmly grasp the strategic basis of expanding domestic demand and do a solid job to ensure stability on six key fronts which refer to employment, financial sector, foreign trade, foreign investment, domestic investment, and expectations; fully maintain stability in six key areas which refer to job security, basic living needs, maintaining key market infrastructure, food and energy security, stable industrial and supply chains, and the normal functioning of primary level governments; actively expand effective investment, strengthen traditional and new infrastructure construction, accelerate the formation of a new development pattern that the domestic and international cycles mutually promoting each other with the domestic cycle as the main body. All of these usher in more development opportunities to construction industry. In 2020, the Group's construction business relied on its strong business construction capabilities and the Group's advantages in one-stop integrated services for the entire life cycle of architecture. The construction business will continue to contribute most of the operating income and steady profits to the Group. The contract value of new projects was approximately RMB22.4 billion (2019: approximately RMB28.8 billion), decreasing by approximately 22% from last year. A number of high-quality image projects were undertaken, such as SMIC's Shaoxing Garden EPC general contracting project, Shaoxing Yuecheng District People's Hospital, Shangyu New High-speed Railway City J-12 Project, Zhonghai Binhu Commercial Project, Djibouti National Park, Xuancheng Science and Technology Park EPC Project, Wuhan Jiazhaoye Huanxi Puyuan Project, Keqiao Fuyue Wyndham Hotel, etc.

The Group focuses on brand building. It was the leader of all competitions in industry awards during the year in Zhejiang, which helped to enhance the Group's reputation. In 2020, the Group received a total of 47 awards, the key awards are appended as follows:

Projects Name	Awards
Jiangxi Hangxin Edifice	Luban Award
Xingang Edifice Project	National Quality Project
Yanhu Shanzhuang Primary School in Hefei High-tech District	Huangshan Cup
Wuhan·Baoye Center	High-quality Construction Projects of Hubei Province

Projects Name	Awards
Science and Technology Exchange Center of No. 701 Research Institute of China Shipbuilding Industry Corporation	High-quality Construction Projects of Hubei Province
Wuhan Xincheng District·Puyuemendi Project	High-quality Construction Projects of Hubei Province
Hongbo·Shiji Shoufu Project	High-quality Construction Projects of Hubei Province
Hangzhou Normal University Cangqian Campus	Qianjiang Cup
Relocation Project of Wenzhou Medical University Renji College	Qianjiang Cup
China Textile City CBD Commercial Center Project	Qianjiang Cup
Xingang Edifice Project	High-quality Construction Projects of Henan Province

Industrialized Architecture Wins the Luban Award for the First Time

The Jiangxi Hangxin edifice project undertaken by Baoye was awarded one of the first batch of China Construction Engineering Luban Award (National Quality Project) from 2020 to 2021, and became the country's first industrialized construction and EPC general contracting project that wins Luban Award. So far, the total number of Luban Awards won by Baoye Group has reached 41. In the construction management of this project, Baoye applied its construction industrialization technology in all aspects, and adopted industrialized construction, digital technology management and intelligent operation. The Luban Award is the highest honor award in China's construction industry. The achievement of the honor is an affirmation of Baoye's high-quality construction management, and it is also a guide for the future development direction of the industry.

Property Development Business

Property Sales

For the year ended 31 December 2020, revenue of the Group's property development business amounted to approximately RMB1,972,143,000, representing a decrease of approximately 6% from last year. Operating profit amounted to approximately RMB725,085,000 representing a decrease of approximately 4%. The slight decrease in revenue and operating profit of property development business is mainly due to the decrease of area whose income recognized in 2020 compared with last year.

For the year ended 31 December 2020, 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 Ido	Shanghai	37,941	21,754	825,368
Baoye City Green Garden	Taihe	6,684	52,493	350,890
Baoye Xinqiao Fengqin	Shaoxing	14,342	20,310	291,287
Baoye Junyue Green Garden	Lu'an	5,488	21,990	120,691

For the year ended 31 December 2020, the sales contracts of the Group's property development business amounted to approximately RMB7.20 billion (2019: RMB2.56 billion) and a contract sale area of approximately 587,000 square metres, excluding the property sales registered under joint ventures that will be progressively completed, delivered and recognised as revenue in the next two to three years.

Projects under development

As at 31 December 2020, the Group's main projects under development are set out below:

Project Name	Location	Total Floor Area under Development (Sqms)	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	300,000	100%
Daban Green Garden	Shaoxing	145,700	100%
Xialv Project·Yunxili	Shaoxing	Under Planning	60%
Huajie Fengqing	Lishui	260,363	100%
Baoye Phoenix One	Ningbo	84,005	100%
Baoye Active Hub	Shanghai	94,722	100%
Xingyu Fu	Wuhan	259,056	100%
Binhu Green Garden	Mengcheng	201,572	100%
Shidai Green Garden	Mengcheng	149,994	60%
Fuxing Jiayuan	Jieshou	467,293	100%
Baoye City Green Garden	Taihe	69,973	55%
Yinhe Green Garden	Taihe	209,185	51%
Jiangnan Fu	Taihe	50,247	100%
Baoye Longhu Yucheng	Kaifeng	300,598	60%
Baoye Junyue Green Garden	Lu'an	216,407	100%
Zhengzhou Project·Fuxi Town	Zhengzhou	Under Planning	51%
Sizhou Green Garden	Sixian	217,323	51%

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 for the development of deluxe villas, semi-detached villas and town houses, all fully equipped with supporting facilities, such as a golf club, a five-star resort hotel, two leisure parks, a sport park, a shopping arcade, kindergarten and a central lakeside garden. Phase I still a few spare houses for sale. Phase II of approximately 300,000 square meters is currently under planning. The presale of the first phase of terrace house has begun and has been satisfactory.

Daban Green Garden, located in Keqiao District, Shaoxing City, Zhejiang Province, has a site area of 80,945 square meters and a plot ratio of 1.8, and a gross floor areas of 145,700 square meters on the floor and approximately 100,000 square meters under the floor. The project will be built in a prefabricated method and fully and well decorated. The project is very close to the Banhu Lake and the railway station of Hangzhou and Shaoxing. It enjoys well-developed facilities of convenient transportation, scenic environment, hospitals, schools and shopping malls. The project will be a landmark of residential building in the Banhu area of Keqiao. The project started selling in May 2020 and was well received by the market. The remaining three buildings are expected to start the presale in 2021.

Xialv Project consists of three separate parcels of land with a total consideration of RMB511,036,354 and a total land site area of 262,862 square meters, pursuant to which the Group is interested in 60%. The Group acquired the land use rights through public auction in 2017. One parcel of the land, “Baoye·Yunxili”, will be developed in two phases. The first phase started presale in November 2020. It has basically been sold out and will be delivered in 2023. The second phase is expected to start the presale in the first half of 2021.

Baoye Huajie Fengqing is located in Liandu District, Lishui City, Zhejiang Province. It covers a site area of 95,794 square meters and has a total gross floor area of 260,363 square meters. The residential area is 165,516 square meters of which about 106,563 square meters will be repurchased by the local government. The plot ratio is 1.88. The remaining 58,790 square meters are owned by Baoye and presale has begun in October 2019. This project is still under presale.

Baoye Phoenix One, located in Ningbo City, Zhejiang Province, with a site area of 26,957.6 square meters and saleable area of 84,005 square meters, was acquired by the Group in August 2020 with a consideration of RMB332,952,898. The project consists of apartment and official buildings with convenient transportation and other facilities and will be the young’s center for career, business, living and leisure. It is expected to start the presale in May 2021.

Baoye Active Hub, located at the south of Guanyun Road, Qingpu District, Shanghai City, is very close to the Dianshanhu Road Station of Line 17. The project has a site area of approximately 38,649 square meters, and a gross floor area of approximately 94,722 square meters with a plot ratio of 1.5. The Group acquired this parcel of use rights at a total consideration of RMB913,630,000 in September 2019. This project has residential and commercial parts, and is positioned as a construction art respecting to architecture and facing the future. The project presale will be built as a landmark with green, healthy, intelligent, civilized and artificial and artistic characteristics. Affected by the epidemic, the first phase of the project started the presale in December 2020 and was sold out soon. The second phase is expected to start the presale in the first half of 2021.

Xingyufu project, located in Xinzhou District, Wuhan City, Hubei Province, has a total land area of 129,528 square meters and planned construction area of approximately 259,056 square metres. The Group acquired this parcel of land use right in December 2017 at a consideration of RMB780 million. At the beginning of 2020, presale has begun.

Mengcheng Binghu Green Garden, located in Mengcheng County, Anhui Province, was acquired through public auction at a total consideration of RMB366 million in August 2018, has a total site area of 78,640 square meters and a gross floor area of 201,572 square meters of high-rise residential buildings, garden houses, townhouses and commercial housing. The project has started presale in the second half of 2019. Garden houses and townhouses will be delivered in the first half of 2021, and the rest will be delivered in 2022.

Mengcheng Shidai Green Garden, located in Mengcheng County, Anhui Province, with a site area of 58,796.75 square metres and a gross floor area of 149,994 square metres, was acquired by a subsidiary of the Group through public tender and auction in April, 2020 at a total consideration of RMB190,000,000. The project consists of high-rise, multi-storey residential and commercial buildings. The first phase of the project will be sold in the first half of 2021. Currently the project has started construction.

Baoye Fuxing Jiayuan, located in Jieshou City, Fuyang City, Anhui Province, has a total site area of 172,656 square meters and a total gross floor area of 467,293 square meters. The Group acquired this parcel of land use rights in June 2018 by public tendering at a total consideration of RMB370,348,000. The project will be repurchased by the local government upon completion. The construction process was delayed due to the epidemic and it will be delivered in 2021.

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 close to an eco-friendly park with rich community facilities, which sets the new generation in the City. The project is developed in five phases, and the first four phases have been delivered to the owners. In January 2019, the Company added a land reserve of approximately 9,662 square meters adjacent to the west side of the project at a total consideration of RMB25.94 million, which will be developed as the fifth phase of the project with plot ratio less than 2.2. The fifth phase is expected to be delivered in 2021.

Yinghe Green Garden, located in Taihe County, Anhui Province, has a site area of approximately 63,544.70 square meters and a gross floor area of 209,185.24 square meters. It has a total of approximately 1,406 houses, of which approximately 1,000 are resettlement houses. The project will be constructed with prefabricated system and is expected to be delivered in 2022.

Jiangnan Fu is located in Taihe County, Anhui Province was acquired by a subsidiary of the Group through public auction in June 2020. The project covers a site area of approximately 29,577.30 square meters with a plot ratio of 1.7 times. At present, the project is still under planning.

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 a planned 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 divided into 5 major groups for development. The first group, Lanjing Garden, with nearly 170,000 square meters has been delivered to the owners. The second group, Yujing Garden, with about 140,000 square meters has completed construction of which the high-rise part has been basically sold out, and the remaining bungalows, stacked villas, and townhouses are on sale. The third group, Guanjing Garden, has about 240,000 square meters, of which 110,000 square meters have been roof-sealed and basically sold out. The remaining part is under construction and presale.

Baoye Junyue Green Garden is located in Lu'an City, Anhui Province. Baoye bidded the project through judicial auction in September 2017. The total site area of the project is approximately 54,220 square meters and the gross floor area is approximately 129,665 square meters which was delivered by the end of 2020. The commercial part with a site area of approximately 7,220 square meters is still under development. The surrounding transportation of the project is convenient, the supporting facilities are well-developed, and there are parks, banks, shopping malls and other facilities. In February 2019, the Company obtained a parcel of land use right for another land with a total site area of approximately 11,947 square meters on the west side of the project, and this part is currently under presale.

Zhengzhou Project, with a total site area of 336,776 square meters, located in Zhengzhou City, Henan Province. The Group acquired the land use right in November 2018 at a consideration of RMB184,662,013. The project is in Jianshan Tourist Resort Zone, Xinmi City, Zhengzhou City, with convenient transportation, spectacular scenery and historical culture. The land No.2 of this project is under construction.

Sizhou Green Garden is located in the economy development zone of Sixian County, Suzhou City, Anhui Province. In May 2019, the Group acquired land parcel A and B of this project, which has a total site area of 46,888 square meters and a total gross floor area of 124,907 square meters, through public action at a consideration of RMB113,500,000. In April 2020, the land parcel C of the project with a total site area of approximately 42,007.45 square meters was acquired through public auction at a total consideration of RMB107,120,000. The Group holds 51% of the equity. The transportation around the project is convenient and there are supporting educational resources. The project has been pre-sold in early 2020 and is expected to be delivered in 2021.

New Land Reserve

During the year of 2020, the newly acquired land reserve is tabulated below:

Time table	Location	Cost (RMB'000)	Land area (Sqms)	Equity
April, 2020	Sixian County, Suzhou City, Anhui Province	107,120	42,007.45	51%
April, 2020	Mengcheng County, Bozhou City, Anhui Province	190,000	58,796.75	60%
June, 2020	Taihe County, Fuyang City, Anhui Province	110,925	29,577.30	100%
August, 2020	Ningbo City, Zhejiang Province	332,953	26,957.60	100%
November, 2020	Fengxian District, Shanghai	312,000	13,101.60	100%
December, 2020	Yeji District, Lu'an City, Anhui Province	108,640	59,241.00	70%

The Group continues to adopt a prudent but proactive role in land acquisition and business expansion. The Group has land reserve in cities in the eastern and central China, such as Zhejiang, Hubei, Shanghai, Anhui and Henan, which can ensure its profits and capability in risk resistance benefitting from its low land cost base and reasonable geographical coverage.

Building Materials Business

For the year ended 31 December 2020, revenue of the Group's building materials business amounted to approximately RMB2,486,406,000, representing a decrease of approximately 22% over last year; operating profit was approximately RMB110,300,000, representing a sharp decrease of approximately 29% from last year. In 2020, due to the impact of the epidemic, the actual production and operation time of each segment of the building materials business has been greatly reduced. The first quarter was basically at a stage of shutdown, resulting in a certain degree of decline in revenue and operating profit.

For the year ended 31 December 2020, revenue from the Group's building materials is analysed below:

	For the year ended 31 December				Change
	2020		2019		
	RMB'000	% of total	RMB'000	% of total	
Curtain Wall	1,094,197	44%	1,153,159	36%	-5%
Ready-mixed Concrete	839,222	34%	1,162,318	36%	-28%
Furnishings and Interior Decorations	109,073	4%	212,381	7%	-49%
Wooden Products and Fireproof Materials	81,359	4%	104,874	3%	-22%
PC assembly plate	160,649	6%	362,840	11%	-56%
Steel structure	30,792	1%	34,325	1%	-10%
Others	171,114	7%	173,193	6%	-1%
Total	2,486,406	100%	3,203,090	100%	-22%

The main segments of the Group's building materials business belong to the further processing of building materials business. They are all in fully and fiercely competitive market and are closely related to the real estate industry and national infrastructure construction. Despite the huge challenges posed by the COVID-19, when the market gradually showed signs of recovery, the Group's construction materials business resumed work and production and accelerated sales as soon as possible in the second quarter. Although the operating performance of this business segment in 2020 has declined to a certain extent, from the perspective of the full-year operating conditions, it still reflects the strong resilience of the Group's building materials business. The rapid recovery of construction and real estate development businesses sufficiently support and drive the recovery of construction materials business. The state's policy of building industrialization and the full decoration delivery of housing units have also provided room for growth in the Group's PC sheet, home furnishing and interior decoration business.

BUSINESS PROSPECT

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

Year 2021 is the first year of the national "14th Five-Year Plan". In the planning proposal, the state proposes to expand investment space and accelerate the investment and construction of new infrastructure, new urbanization, transportation, water conservancy and other major projects. At the same time, it is proposed that the old and new infrastructure should work together to form an efficient, practical, intelligent, green, safe and reliable modern infrastructure system. It is also important to implement rural construction, coordinated regional development, promote new urbanization, and implement urban renewal actions. In February 2021, the National Bureau of Rural Revitalization was established. It is a sign of China's achievement in poverty alleviation and the beginning of a new rural revitalization. In the future, new infrastructure, new urbanization and rural revitalization will bring a broader market perspective to the construction industry.

The Company will seize the development opportunity brought by national strategy, continue to deepen the market in the Yangtze River Economic Belt and the Yangtze River Delta, where business development and market development are relatively mature, and at the same time, promote the coordinated development of the group's regional companies and focus on the development of high-end markets, accelerate the development in general construction areas, and strengthen cooperation with central enterprises and state-owned enterprises in the fields of rail transit and major urban infrastructure. When undertaking projects, we shall comprehensively assess risks, carry out risk prevention and control from its source, and selectively and prudently undertake projects. Internally, the Company will strive to improve the company's engineering quality and safety assurance system, strengthen normalized supervision and inspection and process control, and implement quality and safety control into the entire process of company engineering. Through fine construction and representative project that worth awards and honor, we will show the market the highlights and characteristics of the Company and enhance the brand image and market influence of Baoye construction.

Property development business contributes substantial profit for the Group

Since the “housing is for living, not for speculation” was first introduced in 2016, the long-term real estate management mechanism and the reform of the housing system have been promoted rapidly, and the policy has achieved remarkable results. The market has returned to rational buying and the sales of commercial residential housing units have returned back to demand driven. In the future, residential housing market in China will emerge from the stage of barbaric growth and enter a new era of organic growth focusing on high-quality development. With the continuous advancement of people-oriented new urbanization, the consumption level and ability of residents will rise continually and the requirements for the living environment will upgrade constantly. The real estate market in the future will still continue to attain promising prospects.

The Company’s real estate development business will continue to improve the development and operation management system, deeply investigate and analyze changes in the real estate market in various regions, pay close attention to and accurately grasp the changes of government’s management and control mechanism, and timely adjust development and marketing strategies in the increasingly severe real estate market. Besides, the Company will pursue suitable high quality land to keep the brand building and loyalty momentum going. Bearing in mind the importance of housing as well as medicines are for use by people, while strictly controlling the quality and improving the quality of products, the Company shall also strengthen marketing planning, accelerate the inventory turns to enhance investment returns in order to resolve the bottleneck of slow cattle and increases market share. Baoye will take the advantages of real estate development technology, integrate 80,000 components to create a “higher dimension” high-tech housing products, increase product’s added value and project revenue by enhancing the technological content of residential products, implement sample reference system, and build the “house lasting for one-hundred years” standard and brand.

Housing industrialization is an important strategy to sustain continuous growth for the Group

“Strive to reach the peak of carbon dioxide emissions before 2030, and strive to achieve carbon neutral by 2060.” This is the China’s commitment to the international community and a domestic mandatory order (i.e., the “**30•60 target**”). Nowadays, the topic of achieving the goal of “carbon-emission peak” and “carbon-emission neutral” has attracted more and more attention. The construction industry and its upstream and downstream industries account for a huge proportion of social energy consumption. Whether energy conservation and emission reduction can be achieved in the construction industry directly affects whether this goal can be achieved. Up to now, the results of the seventh national population census have not yet come out, but we can foresee that the “ageing” and decrease in the number of construction workers is a consensus. The industrialization of construction meets the internal and external requirements of the industry development with its energy-saving and environmental protection natures, as well as minimizing on-site work and maximizing the intelligent manufacturing of construction components in factories. It is foreseeable that the industrialization of construction is the direction of the future development of the industry. This trend will not change and will become increasingly obvious.

Building industrialization is not simply the production of parts and components. It is a systematic project that fully integrates the entire industrial chain of design, production, construction and operation, and can fully realize building energy conservation, environmental protection. It is a new building production method that maximizes the value of the entire life cycle. The Group has unique advantages in the development of its construction industrialization business. With nearly 50 construction experience in the field of construction, more than 20 years of research and development in the industrialization of construction, and the tireless pursuit of century-lasting housing, we have a better understanding of architecture. In the future, the Group will continue to rely on the advantages of the coordinated development of the three major businesses to organically integrate building industrialization with construction and real estate development businesses, and promote the conversion of continuous strategic investment in building industrialization into profitability.

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 year, the Group maintained part of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 50.9% of the total borrowings (2019: 51.7%). In addition, approximately 39.9% of the total borrowings (2019: 45.7%) were guaranteed by the Company; approximately 3.9% of the total borrowings (2019: 1.3%) were jointly guaranteed by the Company, non-controlling interests and others. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

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

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resources to expand its business. As at 31 December 2020, the Group has unutilized banking facilities amounting to approximately RMB8 billion. Details of which are analysed below:

	As at 31 December	
	2020	2019
	RMB'000	<i>RMB'000</i>
Cash and cash equivalents	7,261,532	5,504,968
Term deposits with initial term of over three months	282,157	303,390
Restricted bank deposits	1,553,935	719,015
Less: total borrowings	(4,653,855)	4,799,689
Net cash	4,443,769	1,727,684
Total equity attributable to the owners of the Company	9,979,693	9,190,044
Net cash ratio	44.5%	18.8%

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

Other Key Financial Ratios

	As at 31 December	
	2020	2019
Return on equity	8.0%	9.3%
Net assets value per share (RMB yuan)	17.74	16.33
Current ratio	1.23	1.25

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 year

Current ratio = current assets/current liabilities

During this year, the profit attributed to owners of the Company decreased by approximately 7% over the previous year. The return on shareholders' equity has decreased by approximately 14.4% over the previous year. But the net assets per share have increased by approximately 8.6% as compared to last year. As at 31 December 2020, the Group was still in a net cash position with a net cash ratio of 44.5%.

Cash Flow Analysis

		For the year ended 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Cash inflow from operating activities	(i)	1,876,779	71,398
Cash (outflow) from investing activities	(ii)	(344,120)	(859,266)
Cash inflow from financing activities	(iii)	235,770	2,594,584
Net increase in cash and cash equivalents		1,768,429	1,806,716
Exchange losses on cash and cash equivalents		(11,865)	–

Note:

- i During the year, the net cash inflow from operating activities was approximately RMB1,876,779,000, an increase of approximately RMB1,805,381,000 compared to the net cash inflow of approximately RMB71,398,000 of last year, which was primarily attributable to the good property sales and the substantial increase in collections during the year.
- ii During the year, the net cash outflow from investing activities was approximately RMB344,120,000, a decrease of approximately RMB515,146,000 compared to the net cash outflow of approximately RMB859,266,000 of last year, which was mainly due to the decrease of expenditure in properties, plant and equipment for the construction industrialization bases.
- iii During the year, the net cash inflow from financing activities is approximately RMB235,770,000, a decrease of approximately RMB2,358,814,000 compared to the net cash inflow of approximately RMB2,594,584,000 of last year, which was mainly due to the increase of payback of bank borrowings because of the sufficient cash flow of the Group in 2020.

Other Gains-Net

During the year of 2020, the Group recorded other gains-net of approximately RMB23,696,000, representing a decrease of approximately RMB111,320,000, mainly due to a total of approximately RMB48,470,000 gains from disposal of an associate and the foreign exchange gains corresponding in 2019, while approximately RMB13,133,000 losses on disposal of subsidiaries and approximately RMB10,517,000 losses on disposal of properties, plant and equipment, and approximately RMB10,642,000 net losses from foreign exchange in 2020.

Selling and Marketing Costs

The Group's selling and marketing costs amounted to approximately RMB164,377,000 for the year ended 31 December 2020 (2019: approximately RMB101,131,000), representing an increase of approximately RMB63,246,000, mainly due to the good selling condition of properties which added marketing costs.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB677,520,000 for the year ended 31 December 2020, which is almost at the same level compared with RMB664,081,000 of last year, primarily due to a slight increase of depreciation from the administrative expenses.

Finance Costs

During the year ended 31 December 2020, the Group recorded finance costs of approximately RMB85,650,000 (2019: RMB99,192,000).

Income Tax Expense

During the year ended 31 December 2020, income tax expense comprised of PRC corporate income tax of RMB321,200,000 (2019: RMB332,359,000) and PRC land appreciation tax of RMB141,498,000 (2019: RMB127,273,000) representing a total increase of approximately RMB14,225,000, because real estate projects with income recognized during the year have higher profits and more land value-added taxes have been withdrawn compared with last year.

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 by applying assessable rates determined by the respective local tax authorities where the properties are located. For the year ended 31 December 2020, the Group's land appreciation tax amounted to approximately RMB141,498,000.

Financial Guarantee

	31 December 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	1,664,673	410,222

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 properties developed by the Group. The banks will release such guarantees upon the delivery of the building ownership certificates of related properties to the banks as securities.

Details of the Charges on the Group's Assets

As at 31 December 2020, right-of-use assets for land, property, plant and equipment and properties under development, investment properties at a total value of approximately RMB6,087,712,000 (as at 31 December 2019: RMB3,752,327,000) 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.

CONNECTED TRANSACTIONS

During the year of 2020, the Group had no connected transaction that would require disclosure under the Listing Rules.

CONTINGENT LIABILITIES

As at 31 December 2020, neither the Company nor the Group had any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

As at 31 December 2020, the Group did not have any material acquisitions and disposals of subsidiaries, joint ventures and associates.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year of 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

HUMAN RESOURCES

As at 31 December 2020, the Group had a total of 6,463 permanent employees (as at 31 December 2019: 5,801). Also, there were approximately 74,788 indirectly employed construction site workers (as at 31 December 2019: 73,379). These workers were not directly employed by the Group. For the year ended 31 December 2020, the total employee benefit expenses amounted to approximately RMB5,321,497,000. Employee benefit expenses include salaries, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Board 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.

LITIGATION AND ARBITRATION

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

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

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

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “**CG Code**”) prescribed in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2020, the Company has complied with all the code provisions as set out in the CG Code, except for deviation of provisions as mentioned below:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Board and the Supervisory Committee have adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to 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 year of 2020. If any related employees possess 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 guidelines, which is as strict as the Model Code.

AUDIT COMMITTEE

The audit committee of the Company consists of two independent non-executive directors, namely Mr. Chan Yin Ming, Dennis (chairman), Mr. Li Wangrong and one non-executive director, Mr. Fung Ching, Simon. The audit committee held two meetings on 28 March 2020 and 22 August 2020. Mr. Chan Yin Ming, Dennis, Mr. Li Wangrong and Mr. Fung Ching, Simon attended the meetings. The audit committee has discussed the accounting policies, the critical accounting estimates and assumptions, the audit objectives and the scope of the Group's internal audit department with management. They also discussed with the auditors on their audit plans and key audit areas. The audited consolidated financial statements and the annual results announcement of the Group for the year ended 31 December 2020 had been reviewed by the audit committee before submission to the Board for adoption and approval.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The Group's consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers who has issued a standard unqualified audit opinion on these financial statements.

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2020 as set out in the announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

PUBLICATION OF ANNUAL REPORT

The full text of the Group's 2020 Annual Report will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

CHANGE OF REGISTERED ADDRESS NAME

Due to the administrative division adjustment, Yangxunqiao Town has been renamed as Yangxunqiao Subdistrict. The registered address of the Company has been changed from Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, PRC to Yangxunqiao Subdistrict, Keqiao District, Shaoxing City, Zhejiang Province, PRC with effect from 26 March 2021.

The Company's website, telephone number and facsimile number remain unchanged.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to the Company's 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 People's Republic of China
26 March 2021

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