



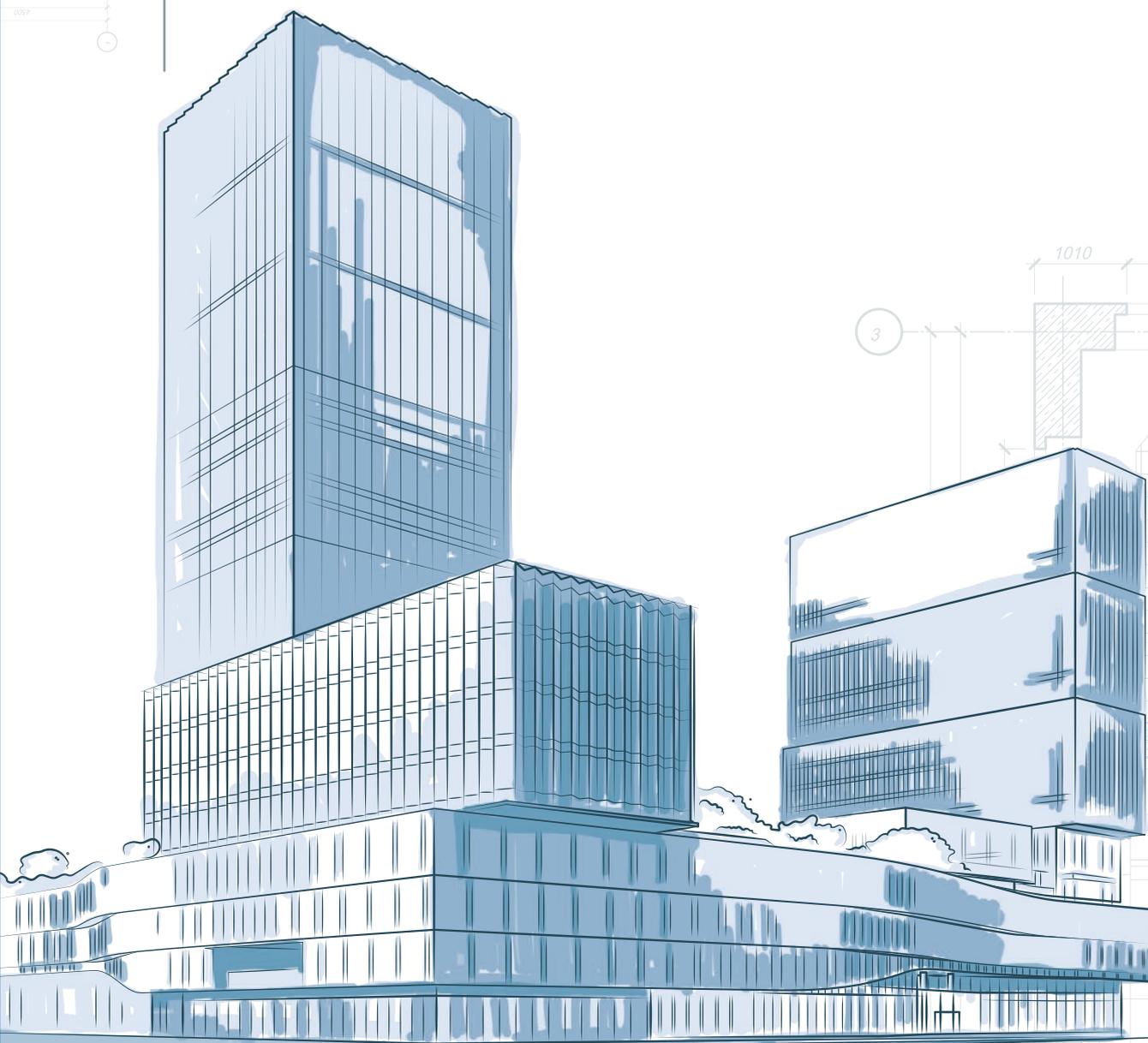
## BAOYE GROUP COMPANY LIMITED

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

Stock Code: 2355

# 2021

## INTERIM REPORT



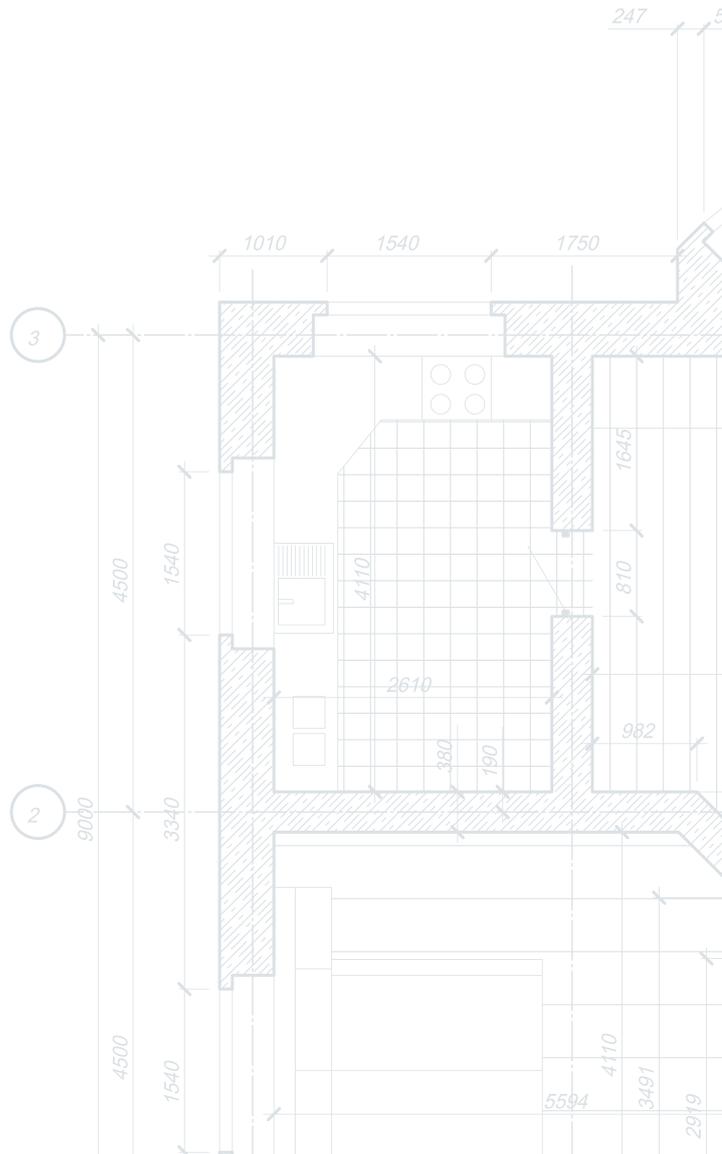


# OUR MISSION

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

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# 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 “Daban Green Garden”
- Shaoxing “Yunxili”
- Lishui “Huajie Fengqing”
- Ningbo “Phoenix One”
- Shanghai “Baoye Active Hub”
- Shanghai “Baoye Qingchunli”
- Wuhan “Xingyu Fu”
- Wuhan “Yuzhu Project”
- Wuhan “Yuke Project”
- Mengcheng “Binhu Green Garden”
- Mengcheng “Shidai Green Garden”
- Jieshou “Fuxing Jiayuan”
- Taihe “Baoye City Green Garden”
- Taihe “Yinhe Green Garden”
- Taihe “Taihe Jiangnan Fu”
- Kaifeng “Baoye Longhu Yucheng”
- Lu’an “Baoye Junyue Green Garden”
- Zhengzhou “Zhengzhou Project”
- Sixian “Sizhou Green Garden”
- Lu’an “Yeji Jiangnan Fu”

#### Building Materials Business

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



# Business Network



### Construction Business

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



### Property Development Business

Zhejiang | Shanghai | Hubei | Anhui | Henan



### Building Materials Business

Zhejiang Building Materials Industrial Park | Anhui Building Materials Industrial Park  
Hubei Building Materials Industrial Park | Shanghai Building Materials Industrial Park  
Jiangsu Building Materials Industrial Park

# 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  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
22/F, Prince's Building  
Central, Hong Kong

### Statutory Auditor

PricewaterhouseCoopers  
Zhong Tian 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  
Suite 1501, 15th Floor  
Bank of America Tower  
12 Harcourt Road  
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 54, 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

No.228 Yangxun Road  
Yangxunqiao Subdistrict  
Keqiao District, Shaoxing City  
Zhejiang Province, the PRC  
Tel: 86 575 84882990  
Post Code: 312028

## Headquarter Address

No.1687 Guazhu East Road  
Keqiao District, Shaoxing City  
Zhejiang Province, the PRC  
Post Code: 312030

## Correspondence Address in Hong Kong

Room A, 7th Floor  
Southern Commercial Building  
11 Luard Road  
Wanchai, Hong Kong

## Authorised Representatives

Mr. Pang Baogen  
Mr. Gao Jiming

## Stock Code

HKEx (2355)

## Contact

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E-mail: irbaoye@baoyegroup.com

## Website

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# FINANCIAL HIGHLIGHTS

## For the six months ended/As at 30 June

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
<b>Results</b>					
Revenue	13,114,524	11,201,994	11,450,605	11,483,063	9,383,941
Profit Attributable to the Owners of the Company	335,479	298,105	331,146	439,202	323,716
Earnings per Share (RMB yuan)	0.60	0.53	0.59	0.76	0.55
<b>Assets and Liabilities</b>					
Total Assets	45,721,111	37,802,012	32,200,784	27,511,556	23,138,588
Total Liabilities	34,883,382	27,903,164	23,282,738	19,414,756	15,934,344
Total Equity	10,837,729	9,898,848	8,918,046	8,096,800	7,204,244

## Key Financial Ratios

### As at/For the six months ended 30 June

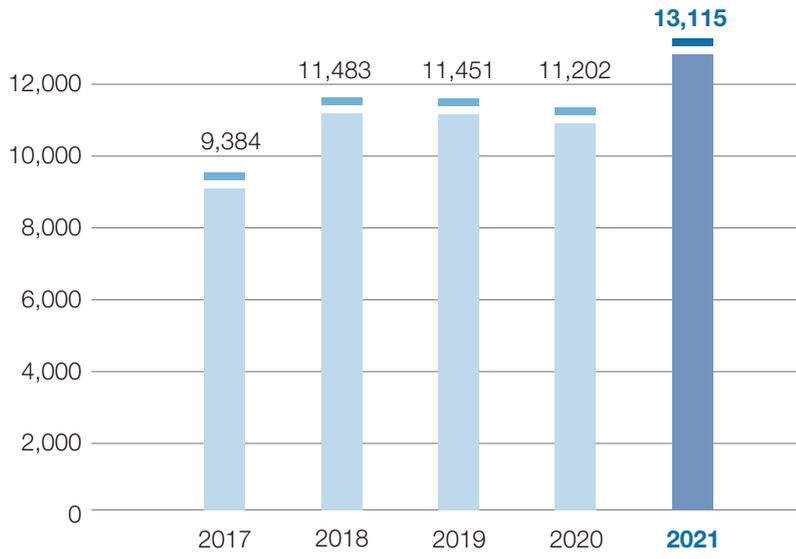
	2021	2020
Return on Equity	3.22%	3.14%
Net Assets Value per Share (RMB yuan)	18.56	16.86
Net Cash Ratio	47%	11%
Current Ratio	1.23	1.24
Net Cash Inflow/(Outflow) from Operating Activities (RMB'000)	9,528	(659,724)

## Financial Highlights

### Revenue

(in RMB million)

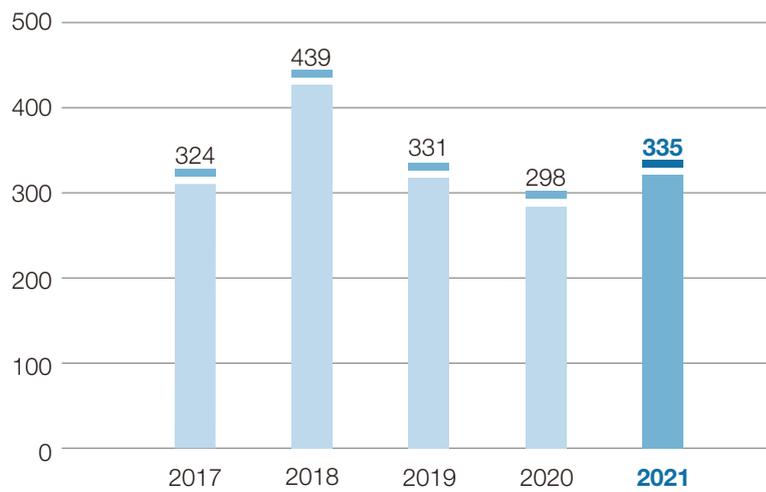
(For the six months ended 30 June)



### Profit Attributable to the Owners of the Company

(in RMB million)

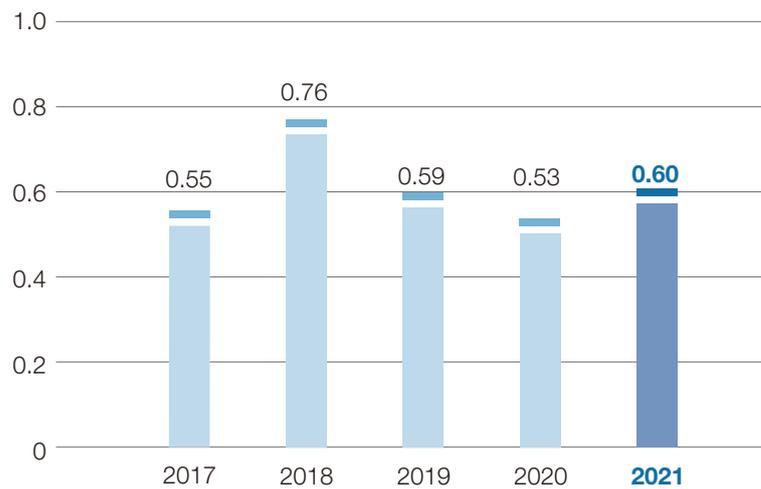
(For the six months ended 30 June)



## Earnings per Share

(in RMB)

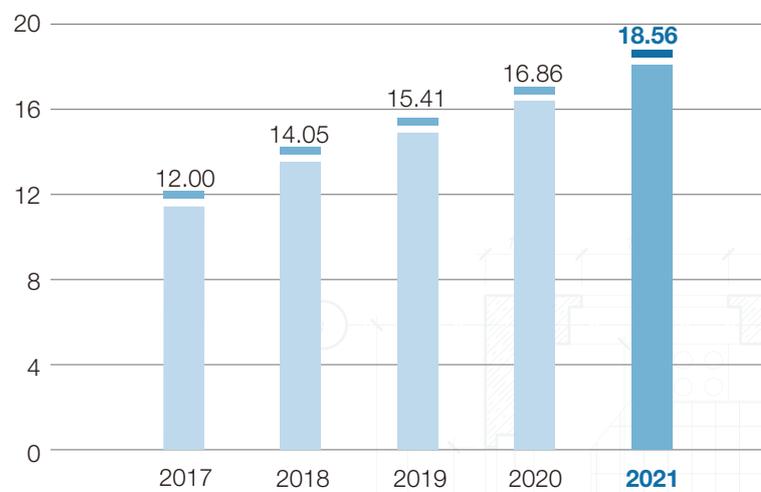
(For the six months ended 30 June)

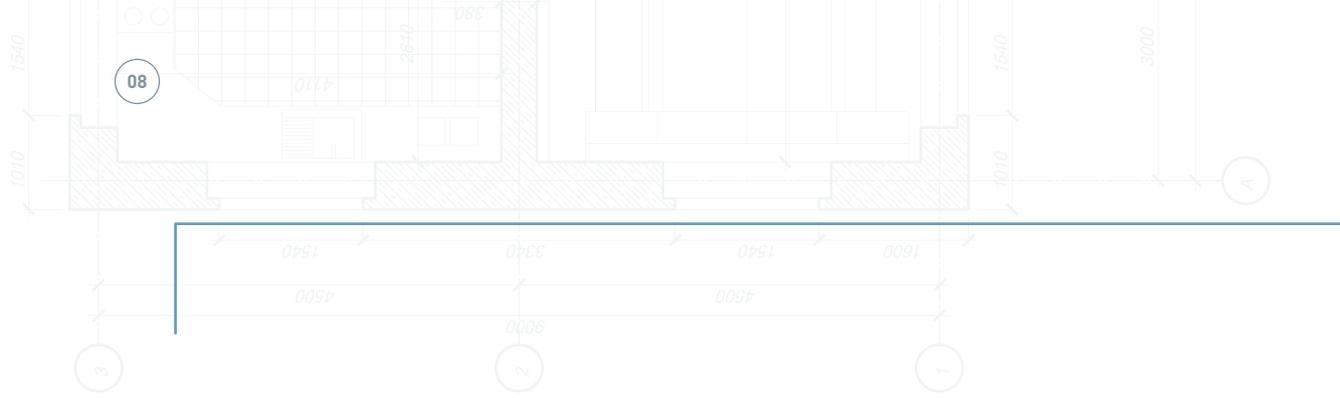


## Net Assets Value per Share

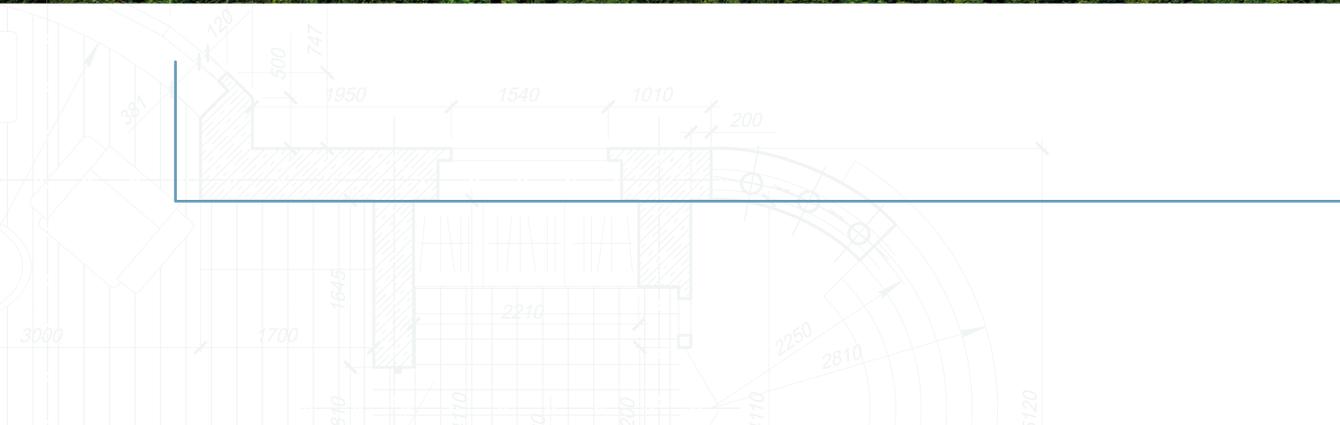
(in RMB)

(As at 30 June)





# MANAGEMENT DISCUSSION AND ANALYSIS



# MANAGEMENT DISCUSSION AND ANALYSIS

## Results Review

For the six months ended 30 June 2021, the Group achieved a consolidated revenue of approximately RMB13,114,524,000, which represents an increase of approximately 17% compared with the corresponding period last year; operating profit amounted to approximately RMB581,972,000, which represents a decrease of approximately 4% as compared with the corresponding period last year; profit attributable to the owners of the Company amounted to approximately RMB335,479,000, which represents an increase of approximately 13% compared to the same period last year; earnings per share was RMB0.6, which represents an increase of approximately 13% compared to the same period last year. During the period, the epidemic control and prevention was still under severe and stringent measures, throughout the Wuhan's epidemic broke out experience, we have had accumulated enough practical experience in handling and executing the effective epidemic control and prevention control measures, all of which enables the Group to resume speedy recovery on operations and business activities. The key performance indexes remained relatively stable compared to the same period last year.

## Segment Operating Results Revenue

	For the six months ended 30 June					Change
	2021		2020			
	RMB'000	% of total	RMB'000	% of total		
Construction	10,604,288	81%	9,065,504	81%	17%	
Property Development	1,277,538	10%	925,647	8%	38%	
Building Materials	1,052,280	8%	1,065,676	10%	-1%	
Others	180,418	1%	145,167	1%	24%	
<b>Total</b>	<b>13,114,524</b>	<b>100%</b>	<b>11,201,994</b>	<b>100%</b>	<b>17%</b>	

## Operating Profit

	For the six months ended 30 June					Change
	2021		2020			
	RMB'000	% of total	RMB'000	% of total		
Construction	310,992	54%	249,638	41%	25%	
Property Development	215,783	37%	335,543	55%	-36%	
Building Materials	42,029	7%	18,519	3%	127%	
Others	13,168	2%	2,919	1%	351%	
<b>Total</b>	<b>581,972</b>	<b>100%</b>	<b>606,619</b>	<b>100%</b>	<b>-4%</b>	

## Management Discussion and Analysis



### Construction Business

For the six months ended 30 June 2021, the Group's construction business achieved a revenue of approximately RMB10,604,288,000, representing an increase of 17% compared to the same period last year; operating profit was approximately RMB310,992,000, representing an increase of approximately 25% over the same period last year. During the period, the Group undertook effective epidemic prevention and control measures and ensured safety enforcement were executed in all operational departments and construction sites. We adopted the production principle of our products "Building product is similar to manufacture of drugs, defective product cannot be tolerated" by adhering to systematic control in financing, contract management, equipment procurement and process control. Externally, the Group actively adapted to changes in the market environment and government regulations and policies, streamlined on strategic customers in gaining increased market share of EPC projects. At the same time, we also tightened up risk control measures through enhancing credit control system within and outside the Group. Both revenue and operating profit showed significant growth compared to the same period last year.

At present, buoyed by the inconsistency of epidemic spread-out, prevention and control measures are adjusted to correspond with the ups and downs in epidemic spread-out, which have set uncertainties in economic recovery. As a traditional pillar industry of the national economy, the construction industry achieved good development in recent years, relying on China's huge market development potential and resourceful investment outlay, in particular benefiting from the sizable investment in national infrastructural construction and the rapid development in large-scale construction of China's real estate industry. However, with the basic completion of large-scale infrastructural construction and the massive development and construction of the real estate industry are coming close to its edges, construction companies will face new challenges for survival and development. Facing a highly market-oriented and fully competitive industry, construction companies must continuously improve their technical capabilities, promote mechanism innovation, continuously strengthen internal process control, and reduce production costs in order to survive and develop in the transformation and upgrade of the construction industry.

During the period, the contract value of the new construction of the Group's construction business was approximately RMB11.9 billion (corresponding period of 2020: RMB9.8 billion), representing an increase of approximately 21% compared to the same period last year. The increase of new contract orders was mainly due to the comparatively low base of the same period last year which was affected by the coronavirus epidemic. During the period, the Group insisted on controlling risks at the source. We secured projects and undertook a large number of sounding projects such as the EPC general contracting projects of Shaoxing City Investment Commercial Building, Yangshan Climbing Center in Keqiao District of Shaoxing City, Zhejiang Yuxiang Vocational and Technical College Comprehensive Teaching Building, the China Construction Energy Research and Testing Center project, Zibo CBD residential project in Shandong, Longhu High-tech CBD project in Hefei, East Africa Bank villa project, and Wuhan Ruihe Pharmaceutical EPC general contracting during the period.

## Property Development Business

### Property Sales

For the six months ended 30 June 2021, the revenue of the Group's property development business amounted to approximately RMB1,277,538,000, which represents an increase of approximately 38% from the corresponding period last year. Operating profit amounted to approximately RMB215,783,000, which represents a decrease of approximately 36% compared to the corresponding period last year. The operating profit of the property development business decreased significantly while the revenue increased compared with the corresponding period last year, which was primarily attributable to the property units sold recognized during the period registering comparatively lower profit margins.



## Management Discussion and Analysis

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)	GFA Sold (Sqms)	Revenue (RMB'000)
Baoye Junyue Green Garden	Lu'an	5,086	57,379	291,814
Baoye Longhu Yucheng	Kaifeng	3,604	61,601	221,986
Baoye Binhu Green Garden	Mengcheng	10,055	18,433	185,347
Baoye Ido	Shanghai	41,117	3,953	162,556
Baoye City Green Garden	Taihe	6,744	18,477	124,610

For the six months ended 30 June 2021, the Group's property development business achieved a contract sales value of approximately RMB3.62 billion with a total contract sales area of approximately 319,000 square metres.

### Projects under Development

As at 30 June 2021, projects under development of the Group are tabulated below:

Project Name	Location	Total GFA 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	214,970	60%
Huajie Fengqing	Lishui	260,363	100%
Baoye Phoenix One	Ningbo	84,005	100%
Baoye Active Hub	Shanghai	94,722	100%
Baoye Qingchunli	Shanghai	36,289	100%
Xingyu Fu	Wuhan	259,056	100%
Yuzhu Project	Wuhan	233,181	100%
Yuke Project	Wuhan	102,015	100%
Binhu Green Garden	Mengcheng	164,467	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%
Taihe Jiangnan Fu	Taihe	68,654	100%
Baoye Longhu Yucheng	Kaifeng	300,598	60%
Baoye Junyue Green Garden	Lu'an	216,407	100%
Zhengzhou Project	Zhengzhou	Under planning	51%
Sizhou Green Garden	Sixian	217,323	100%
Yeji Jiangnan Fu	Lu'an	71,089	70%

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 civilization flourished. As the origin of many myths and folklores, this area has not only profound cultural tradition but also 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 remains a few spare houses for sale. Phase II of approximately 300,000 square meters is currently under planning. The presales of the first phase of terrace house have begun and are in good condition.

Daban Green Garden, located in Kejiao District, Shaoxing City, Zhejiang Province, has a site area of 80,945 square meters and a plot ratio of 1.8. The above ground building area is about 145,700 square metres, and the underground building area is about 100,000 square metres. 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 Kejiao. Sales began in May 2020 and the project was sought after by the market. The remaining three buildings are expected to be sold in the second half of 2021.

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

Baoye Huajie Fengqing is located in Liandu District, Lishui City, Zhejiang Province. It covers an area of 95,794 square meters and has a total building 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 government. The plot ratio is 1.88. The remaining 58,790 square meters are owned by Baoye. This project started presale in October 2019 and has been basically sold out.

Baoye Phoenix One is located in Ningbo City, Zhejiang Province. The Group obtained it through a judicial auction in August 2020 at a total price of RMB332,952,898. The project has a total area of 26,957.6 square meters and a saleable area of 84,005 square meters. The project is composed of apartments and offices surrounded by convenient transportation and mature supporting facilities. The project will become a new generation of urban center integrating youth creativity, business office, ecological livability, and urban parks. The project started presale in May 2021, and the presale result has been good.

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 the land 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 appealing to architecture and construction in the future. The project will be built as a landmark with green, healthy, intelligent, civilized and artificial and artistic characteristics. The project has been sold out.

Baoye Qingchunli is located in Qingcun Town, Fengxian District, Shanghai. The project covers an area of approximately 13,101.6 square meters with a floor area ratio of 1.8 and a gross floor area of approximately 23,568.34 square meters. The Group obtained this piece of land use right at a total consideration of RMB312,000,000 in November 2020. The project will be built with a new industrialized prefabricated assembly technology, using the world’s leading brand, German Vollert fully imported production line, and will be delivered with an overall refined decoration. Currently, the project has started construction.

## Management Discussion and Analysis

Xingyu Fu project, located in Xinzhou District, Wuhan City, Hubei Province, has a total land area of 129,528 square meters and planned building 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. Presales began in 2020. Phase I has had some units to be sold. Phase II will start presale in 2022 pending the market situation.

Wuhan Yuzhu Project, located in Xinzhou District, Wuhan City, Hubei Province, has a total construction area of approximately 233,200 square meters, including approximately 178,000 square meters of saleable residential areas, and some commercial units and parking areas. On 17 May 2021, a subsidiary of the Group acquired 51% equity interest of the project held by the project partner. As a result, the Company currently holds 100% equity of the project company. For details, please refer to the announcement issued by the Company on 17 May 2021.

Wuhan Yuke project, located in Huangpi District, Wuhan City, Hubei Province, has a total construction area of approximately 102,015 square meters, including approximately 74,409 square meters of saleable residential area and some commercial units and parking areas. A subsidiary of the Group holds 100% equity of the project company by acquisition of the 40% equity held by the project partner. The project started presale at the end of 2020 which has been in good condition.

Mengcheng Binghu Green Garden is located in Mengcheng County, Anhui Province. A subsidiary of the Group acquired the land use right through bidding, auction and listing at a consideration of RMB366,000,000 in August 2018. The project has a total land area of 78,640 square meters and gross floor area of 201,572 square meters of high-rise residential buildings, garden houses, townhouses and commercial housing. The project has started the presale in the second half of 2019. Garden houses and townhouses have been delivered, and high-rise residential buildings are expected to be delivered in 2022.

Mengcheng Shidai Green Garden is located in Mengcheng County, Anhui Province. A subsidiary of the Group obtained the land use right through bidding, auction and listing at a consideration of RMB190 million in April 2020. The project covers an area of approximately 58,796.75 square meters, with a planned construction area of approximately 149,994 square meters. The project consists of high-rise, multi-storey residential and commercial buildings. Phase I has been on sale in the first half of 2021. The project is currently under construction.

Baoye Fuxing Jiayuan is located in Jiesshou City, Fuyang City, Anhui Province. It was acquired by the Group for RMB370,348,000 through public bidding in June 2018. The total area of the project is 172,656 square meters and the planned total construction area is approximately 467,293 square meters. When the project is completed, it will be fully repurchased by the government. The project is expected to be delivered in the second half of 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 closed to an eco-friendly park with rich community facilities. After completion, it will become Taihe's principal ecological community, setting a new benchmark for modern human settlements. The project will be developed in five phases, and four phases have been delivered to owners. In January 2019, The Company acquired land use rights of a parcel of 9,662 square meters land that adjacent to the west side of the project at a total price of RMB25.94 million yuan for the development of the fifth phase with plot ratio less than 2.2. The fifth phase is expected to be delivered in the second half of 2021.

Yinghe Green Garden is located in Taihe County, Anhui Province. The total area of the project is approximately 63,544.70 square meters, the total building area is approximately 209,185.24 square meters, and the total number of houses is approximately 1,406, of which approximately 1,000 are resettlement houses. The project will be constructed in a prefabricated way. The project is expected to be delivered in 2022.

Taihe Jiangnan Fu is located in Taihe County, Anhui Province. In June 2020, a subsidiary of the Group obtained the land use right of the project through public bidding. The project covers an area of approximately 29,577.3 square meters and a total construction area of approximately 68,654 square meters with a plot ratio of 1.7. At present, the project is 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 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 will be developed in five phases. Among them, the first group, about 170,000 square meters of Lanjing Garden, has been completed and delivered to the owners. About 140,000 square meters of high-rise buildings from the second group, Yujing Garden had been basically delivered to the owner, and the remaining bungalows, stacked villas, and townhouses are on sale. The third group, Guanjing Garden with about 216,407 square meters, is still under construction.

Baoye Junyue Green Garden is located in Lu'an City, Anhui Province. The project was acquired by the Group through a judicial auction in September 2017. The total area of the project is about 54,220 square meters, and the planned construction area is about 129,665 square meters which were delivered by the end of 2020. The commercial segment with a land area of approximately 7,220 square meters is nearing completion. The surrounding transportation of the project is convenient, the supporting facilities are well-developed, and there are parks, banks, shopping malls and other business formats. In February 2019, the project company obtained another land use right with a total land area of approximately 11,947 square meters on the west side of the project, which is currently under presale.

Zhengzhou Project, with a total site area of 336,776 square meters is 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. At present, land No.2 has begun construction.

Sizhou Green Garden is located in the Economic Development Zone of Sixian County, Suzhou City, Anhui Province. In May 2019, the Group acquired the land parcel A and B with a total land area of approximately 46,888 square meters and gross floor area of approximately 124,907 square meters at a total consideration of RMB113.5 million through public auction. In April 2020, the Group acquired the land parcel C with a total land area of approximately 42,007.45 square meters at a total consideration of RMB107,120,000 through public auction. This project enjoys well-developed facilities, convenient transportation and education resources. The project started presale in 2020 and is expected to be delivered in 2021.

Yeji Jiangnan Fu project, located in Lu'an City, Anhui Province, has a total land area of 59,241 square meters and gross floor area of approximately 98,451 square meters. The plot ratio is 1.2. A subsidiary of the Company obtained the land use right in December 2020, pursuant to which the project company holds 70% interest. The project will be built as a high-end community integrating characteristic villas, low-rise residences and bungalows and is currently under construction.

## Management Discussion and Analysis

## New Land Reserve

Time table	Location	Cost (RMB'000)	Land area (Sqms)	Equity
May, 2021	Xiaoshan District, Hangzhou City, Zhejiang Province	334,760	16,235.00	100%
June, 2021	Sixian County, Suzhou City, Anhui Province	300,000	111,954.54	100%
June, 2021	Qingpu District, Shanghai City,	568,600	22,309.20	100%

The Group continues to adopt a prudent but proactive role in land acquisition and business expansion. The Group has land reserve mainly in Zhejiang, Anhui and Henan. The Group will pay close attention to the land auction market and acquire further land reserves at reasonable cost in Zhejiang, Shanghai, Hubei and Anhui.

## Building Materials Business

For the six months ended 30 June 2021, the revenue of the Group's building materials business was approximately RMB1,052,280,000, comparatively stable with the same period last year; operating profit was approximately RMB42,029,000, which represents a significant increase of approximately 127% over the same period last year, mainly due to the containment of a much higher percentage of higher profit margin products versus lower margin products in total revenue as compared to the same period last year.

The revenue breakdown of the Group's building materials for the six months ended 30 June 2021 is analysed below:

	2021		2020		Change
	RMB'000	% the total	RMB'000	% the total	
Curtain Wall	617,822	59%	484,704	45%	27%
Furnishings and Interior					
Decorations	128,987	12%	80,146	7%	61%
Ready-mixed Concrete	90,470	9%	348,436	33%	-74%
PC Assembly Plate	100,097	10%	60,204	6%	66%
Wooden Products and Fireproof					
Materials	52,029	5%	39,938	4%	30%
Steel Structure	15,804	1%	20,738	2%	-24%
Others	47,071	4%	31,510	3%	49%
<b>Total</b>	<b>1,052,280</b>	<b>100%</b>	<b>1,065,676</b>	<b>100%</b>	<b>-1%</b>

## Business Prospect

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

At present, the coronavirus epidemic is still evolving globally. The mutated virus and the uncertainty of Sino-US relations have driven the external environment more complicated and severe. Coordinating the prevention and control of the epidemic and promoting the stable economic and social development will be remained as the "big environment" we have to face for longer time in the future. The fragmentation and diverted effect of the world caused by the epidemic is still ongoing, it will take time for the economy to recover by resumption of market demand. In the first half of 2021, the upsurge of pricing of various prime raw materials had continuously affected the cost of small and medium-sized downstream enterprises. After the release of the seventh census results, the country's three-child policy and a series of closely related policies on the education training industry would have signaled the advent of a new era.

As an important pillar industry of the national economy, the construction industry is closely related to the development of the country's economy and the improvement of people's lives. As a "veteran" in the construction industry, Baoye Group has experienced the development process from small to large, from weak to strong. It was because we have had some achievements that we need to refresh our mind from time to time. The survival, development, and growth of an enterprise still require us to continue emancipating our mind, reforming and innovating, and striving to improve the core competencies of our enterprise. "Building product is like manufacture of drugs, defective product cannot be tolerated." Baoye will always prioritise quality and safety in a more prominent position, and continue to promote enterprises to become stronger and more solid. In the future, the Group will continue to pay close attention to changes in the international and domestic macroeconomic environment, solidifying the position of the Group, and focusing on the core business of construction, so as to enhance the company's competitiveness in branding, construction and management.

### Property development business contributes substantial profit to the Group

In 2016, for the first time the central government laid down the policy that "We must not forget that housing is for living, not for speculation". With this in mind, we shall encourage both housing purchase and renting, implement policies to suit different cities, so as to promote the stable and healthy development of the real estate market." In recent years, regardless from the restriction of the prescribed "three-red-lines" on financial covenants for real estate enterprises, or the "two-concentration" for local government land supply (centralized release announcements, centralized organization of transfer activities), or the policy where the income from the transfer of the state-owned land use rights will be collected by the taxation department, it can be seen that the central government's control mode and overall tone on the real estate market have remained unchanged. In particular, under the downward pressure on the economy caused by the epidemic, the country still maintains its strength, emphasizing the insistence on not using real estate as a short-term stimulating means for the economy. For the real estate industry, we must clearly realize that the era of enormous growth relying on land and financial dividends are gone forever.

We shall deeply analyze our highly-sought projects in the past. Say goodbye to the era of investment or even speculation, as a prime member of the real estate industry, we should clearly realize that what we are providing is not cold steel and cement, but tens of thousands of homes, which are the carriers of personal life and extension of social culture. In the real estate development process, we focus on every single detail. With more solid materials, more advanced technology, more humanized design and more energy-saving technology, we provide our communities with high-dimensional products. Under the prevailing market situation, we will find our position in the historical trend, stand out from the seriously homogenized competition with high-quality products, obtain reasonable profits by satisfying the people's growing demand for a better life, and achieve high-quality development of the enterprise by upgrading our development products.

## Management Discussion and Analysis

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

In recent years, China has dubbed the “Infrastructure-holic” as a result of a series of large-scale infrastructure and super projects. Behind this title is the manifestation of China’s comprehensive strength. As a member of the industry, we are deeply receptive to these achievements. However, as a participant in the industry at the same time, we can better perceive the pressure behind this. The traditional construction industry is a typical labor-intensive industry that absorbs a large amount of rural labor. With the passing of the demographic dividends, the shortage of skilled workers and laborers has become more and more severe. In addition, the various types of pollution and the huge consumption of various resources brought about by traditional construction methods are also problems that need to be resolved urgently. The construction industrialization is characterized by its digital design, intelligent factory production, on-site intelligent construction and intelligent operation and maintenance, all of which concentrate on solving the key problems that restrict the high-quality development of the industry, such as the extensive production methods, labor shortage, and huge resource and energy consumption. At present, in response to climate change, China has set the goal of “striving to reach the peak of carbon dioxide emissions by 2030 and achieve carbon-emission neutral status by 2060” (carbon peak, carbon neutral). For industries such as prefabricated construction and novel building materials, revolution has come, and future has come. It is replacement and upgrade of the traditional construction industry with modern construction manufacturing industry that are our hope and the way out.

## Financial Review

### Financial Policies

The Group has adopted prudent financial policies and exercised tight risk management control over its investment, financing and cash as well as maintaining a sound capital structure. The Group will adjust its investment, financing and capital structure from time to time according to sustainable development and internal resources available, with a view to optimising the capital structure of the Group.

The Group has established a financial settlement centre, which centralises funding for the Company and all of its subsidiaries at the group level. The Board believes that such policy can achieve better control on the treasury operations, minimise financing risks and lower the average cost of funding.

### Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People’s Bank of China. Such excellent credit rating will benefit the Group’s financing activities and allow the Group to continue to enjoy the prime rate offered by the banks. During the period under review, the Group maintained part of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 52.5% (corresponding period of 2020: 43.6%) of the total borrowings. In addition, approximately 42.6% of the total borrowings (corresponding period of 2020: 55.4%) were guaranteed by the Company; approximately 1.6% of the total borrowings (corresponding period of 2020: 1.0%) were jointly guaranteed by the Company and non-controlling interests to the lending banks. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

The Group’s objectives of the management of capital and financial resources are to safeguard the sustainable development of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group’s financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resource to expand its business. As at 30 June 2021, the untapped banking facilities of the Group amount to approximately RMB7.5 billion.

Details of which are analyzed below:

	As at 30 June	
	2021 RMB'000	2020 RMB'000
Cash and cash equivalents	7,566,836	5,628,270
Term deposits with initial term of over three months	233,138	109,338
Restricted bank deposits	1,930,103	697,581
Less: total borrowings	(4,861,433)	(5,357,223)
Net cash	4,868,644	1,077,966
Total equity attributable to the owners of the Company	10,403,555	9,488,149
Net cash ratio	47%	11%

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

### Other Key Financial Ratios

	For the six months ended/ As at 30 June	
	2021	2020
Return on equity	3.22%	3.14%
Net assets value per share (RMB yuan)	18.56	16.86
Current ratio	1.23	1.24

Return on equity = profit attributable to the owners of the Company/total equity attributable to the owners of the Company

Net assets value per share = total equity attributable to the owners of the Company/number of issued shares at the end of the period

Current ratio = current assets/current liabilities

During the period, the profit attributable to owners of the Company was approximately RMB335,479,000, an increase of approximately 12.5% over the same period of the previous year, and the return on shareholders' equity increased by approximately 2.7% over the same period last year. As at 30 June, 2021, the Group was still in a net cash position with a net cash ratio of 47%, a significant increase compared with the same period last year. This is mainly due to the sound pre-sale results from the property development business during the period.

## Management Discussion and Analysis

### Cash Flow Analysis

For the six months ended 30 June

	Note	2021 RMB'000	2020 RMB'000
Net cash inflow/(outflow) from operating activities	(i)	9,528	(659,724)
Net cash inflow from investing activities	(ii)	556,772	123,969
Net cash (outflow)/inflow from financing activities	(iii)	(259,105)	659,057
Net increase in cash and cash equivalents		307,195	123,302

Note:

- (i) During the period under review, the net cash inflow from operating activities was approximately RMB9,528,000, an increase of approximately RMB669,252,000 compared to the same period last year, which was mainly due to the sound presale results achieved by the property development business during the period.
- (ii) During the period under review, the net cash inflow from investing activities was approximately RMB556,772,000, which was mainly attributed by the borrowings repaid by joint ventures during the period, the disposal of financial assets with fair value measurement changes included in profit and loss, the receipt of government demolition compensation, and the net cash acquired from acquisition of subsidiaries.
- (iii) During the period under review, the net cash outflow from financing activities was approximately RMB259,105,000, which was mainly attributed by the repayments of advances from non-controlling interests during the period.

### Administrative Expenses

The Group's administrative expenses amounted to approximately RMB359,496,000 for the six months ended 30 June 2021 as compared to approximately RMB315,755,000 for the same period last year, representing an increase of 14%. The increase in administrative expenses was mainly due to the lower base of the same period last year, reductions in overtime work of employees and the state's social security reduction and exemption policies that reduced wages and social security expenditures caused by the COVID-19.

### Finance Costs – Net

For the six months ended 30 June 2021, the Group had registered net finance costs of approximately RMB61,459,000 (corresponding period of 2020: RMB54,822,000), representing an increase of approximately RMB6,637,000 compare to the same period last year, mainly due to the increase in loans to meet the Group's funding needs for real estate development and building materials business.

### Income Tax Expenses

For the six months ended 30 June 2021, income tax expenses comprised of PRC corporate income tax of RMB158,438,000 (corresponding period of 2020: RMB149,543,000) and PRC land appreciation tax of RMB32,091,000 (corresponding period of 2020: RMB44,815,000), representing a decrease of approximately RMB3,829,000 compared to the same period of last year primarily due to the real estate projects to which revenue recognized during the period had lower profit margins and hence lower land appreciation tax has been accrued.

## Financial Guarantee

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	<b>2,613,595</b>	1,664,673

The Group had issued performance guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of property 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.

## Details of the Charges on the Group's Assets

As at 30 June 2021, right-of-use for land, property, plant and equipment, investment properties, properties under development, completed properties held for sale, trade receivables and equity interests of a subsidiary with an aggregate carrying value of approximately RMB6,837,366,000 (as at 31 December 2020: RMB6,087,712,000) were pledged to banks as security in securing bank borrowings.

## Capital Expenditure Plan

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

## Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and all bank borrowings are denominated and accounted in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect that the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group.

## Dividends

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2021 (corresponding period of 2020: Nil).

# 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 Listing Rules, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”) 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 CG Code, except for deviation from 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, who have 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 management structure can enhance the communication amongst staff at different levels as well as enable execution of the Group’s policies efficiently. Therefore, the Board endorsed the assumption of chief executive officer 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, assess risk reasonably, improve and review the Group’s policies and practices on corporate governance and delegate the daily operations of the Company to the executive Directors or the management. The Board is committed to making 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 rich 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 terms of reference and operation mode.

### Audit Committee

As at the date of this announcement, the audit committee of the Company consists of two independent non-executive Directors, namely, Mr. Chan, Dennis Yin Ming and Mr. Li Wangrong and one non-executive Director, Mr. Fung Ching, Simon, with Mr. Chan, Dennis Yin Ming as the chairman of the audit committee. The audit committee held two meetings, and discussed the accounting policies as well as critical accounting estimates and assumptions with the management and discussed with the auditors on the audit plan and key audit areas. The audit objectives of internal audit department of the Group were also discussed. The interim results of the Group for the six months ended 30 June 2021 had been reviewed by the audit committee before being approved by the Board. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2021 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.

### 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.

### 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 Zhong Tian Certified Public Accountants (“LLP”) as the Company’s PRC statutory auditor were approved at the annual general meeting held on 11 June 2021.

### Model Code for Securities Transactions by Directors and Supervisors

The Board and the Supervisory Committee have adopted 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 2021. 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.

## Corporate Governance

## 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. The Company establishes different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its shareholders and stakeholders; (v) the Company's Hong Kong Share Registrar deals with shareholders for share registration and related matters; and (vi) the Investor Relations Department of the Company handles enquiries from shareholders and investors generally.

## 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	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	29,304,000	13.96%	5.23%
Zhu Yicai (note 1)	29,304,000	13.96%	5.23%

### Notes:

1. Mr. Zhu Yicai, the spouse of Ms. Wu Xueqin, is deemed to be interested 29,304,000 H shares.
2. Information disclosed here is based on the information available on the website of Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).
3. As at 30 June 2021, the Company has a total of 560,634,053 shares, of which 209,892,000 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
<b>Directors</b>					
Mr. Pang Baogen	The Company	Individual	193,753,054	–	34.56%
Mr. Gao Jiming	The Company	Individual	12,059,254	–	2.15%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.70%
Mr. Gao Jun	The Company	Individual	5,794,259	–	1.03%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.44%
<b>Supervisors</b>					
Wang Jianguo	The Company	Individual	5,250,290	–	0.94%
Wang Jianguo	Zhejiang Baoye Curtain Wall Decoration	Individual	42,700,001	–	16.94%
Xu Gang	The Company	Individual	17,907,116	–	3.19%
<b>Senior Management</b>					
Mr. Lou Zhonghua	The Company	Individual	4,533,172	–	0.81%
Mr. Wang Rongbiao	The Company	Individual	2,638,026	–	0.47%

Note:

As at 30 June 2021, the Company has a total of 560,634,053 shares, of which 209,892,000 shares were H shares.

## Other Information

## 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.

## Human Resources

As at 30 June 2021, the Group had a total of approximately 6,535 permanent employees (as at 30 June 2020: 5,856). Also, there were approximately 77,576 indirectly employed construction site workers (as at 30 June 2020: 73,401). These workers were not directly employed by the Group. For the six months ended 30 June 2021, the total employee benefit expenses amounted to approximately RMB2,892,330,000 (the corresponding period in 2020: RMB2,349,566,000). Employee benefit expenses include salaries, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Group is continuously working on devising, revising and implementing a more effective employee incentive plan and training plan to encourage superior performance of employees to fit into the Group's long term development plan.

## 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 of Hong Kong Limited (the "Listing Rules").

## Contingent Liabilities

As at 30 June 2021, neither the Company nor the Group had any significant contingent liabilities.

## Material Acquisitions and Disposals of Subsidiaries, Joint Ventures and Associates

During the period under review, save as the acquisition of equity interest in Wuhan Yuzhu disclosed in the Management Discussion and Analysis, the Group did not have any other material acquisitions and disposals of subsidiaries, joint ventures and associates.

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

During the six months ended 30 June 2021, the Company repurchased a total of 2,030,000 of its H Shares, representing approximately 0.9579% and 0.3608% of the total number of H Shares and total number of issued shares of the Company respectively, for a total consideration of HK\$9,058,960 (excluding trading fee). Details of the repurchase of H Shares were as shown in the next day disclosure returns for the period from 25 May 2021 to 10 June 2021 published on the website of the Stock Exchange.

## Litigation and Arbitration

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

## Entrusted Deposits and Overdue Time Deposits

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

## 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

27 August, 2021

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



**pwc**

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 29 to 59, 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 2021 and the 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 of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**

*Certified Public Accountants*

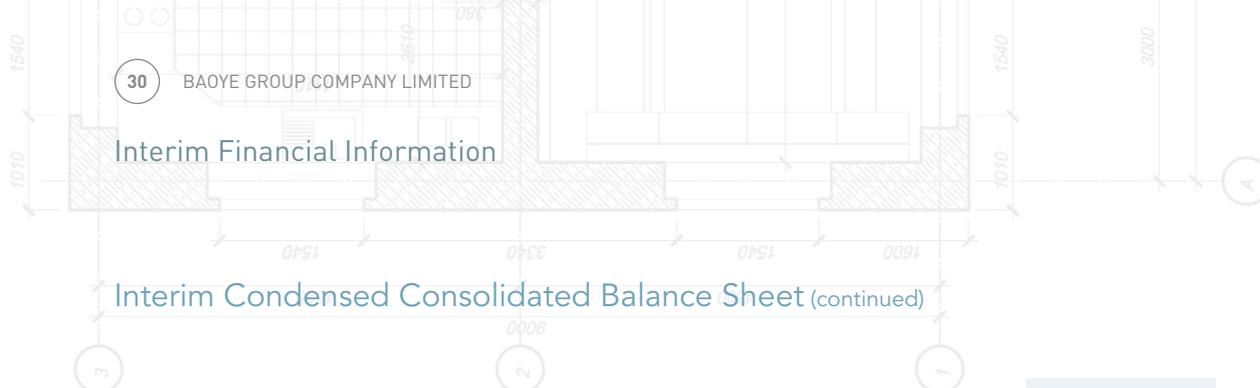
Hong Kong, 27 August 2021

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

# INTERIM FINANCIAL INFORMATION

## Interim Condensed Consolidated Balance Sheet

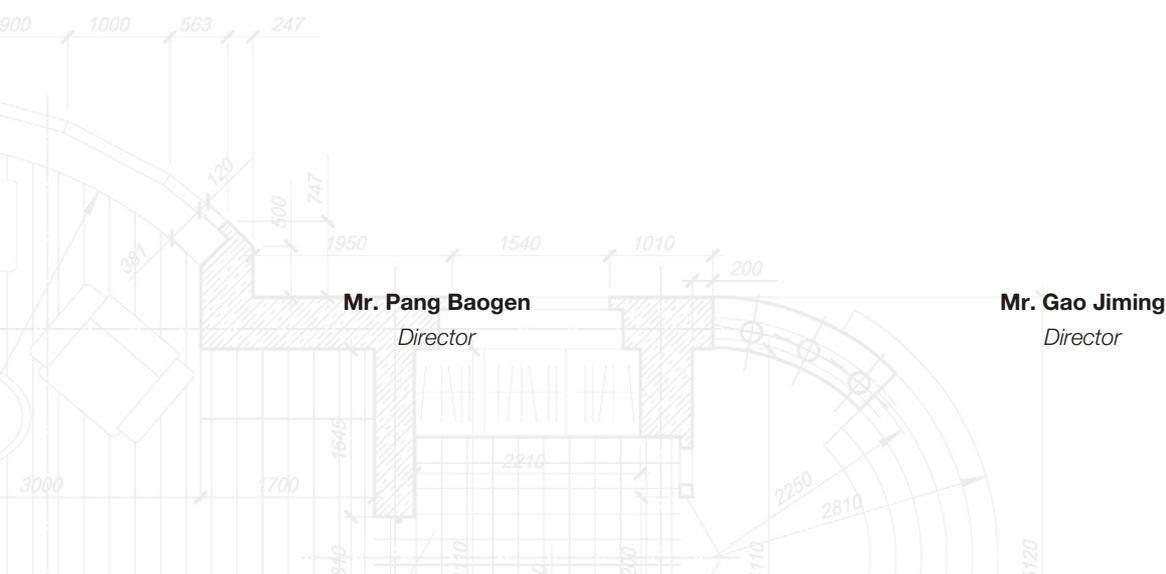
	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	2,867,706	2,798,312
Right-of-use assets	9	705,489	686,963
Investment properties	9	764,969	764,969
Goodwill		16,534	16,534
Investments accounted for using the equity method	7	410,994	676,769
Trade and other receivables	8	583,224	613,074
Financial assets at fair value through other comprehensive income	5.3	355,424	222,568
Financial assets at fair value through profit or loss	5.3	8,190	6,752
Deferred income tax assets		241,861	253,418
		<b>5,954,391</b>	6,039,359
<b>Current assets</b>			
Inventories		302,260	288,654
Properties under development		13,196,172	11,049,231
Completed properties held for sale		2,489,319	2,826,601
Contract assets	10	6,163,777	5,487,756
Trade and other receivables	8	7,380,515	6,632,126
Financial assets at fair value through profit or loss	5.3	504,600	753,600
Restricted bank deposits		1,930,103	1,553,935
Term deposits with initial term of over three months		233,138	282,157
Cash and cash equivalents		7,566,836	7,261,532
		<b>39,766,720</b>	36,135,592
<b>Total assets</b>		<b>45,721,111</b>	42,174,951
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and premium	11	1,036,600	1,044,097
Other reserves	12	304,877	208,997
Retained earnings		9,062,078	8,726,599
		<b>10,403,555</b>	9,979,693
<b>Non-controlling interests</b>		<b>434,174</b>	375,653
<b>Total equity</b>		<b>10,837,729</b>	10,355,346



	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings	14	2,353,400	2,219,700
Lease liabilities		19,275	1,761
Deferred income tax liabilities		184,602	151,535
		<b>2,557,277</b>	2,372,996
<b>Current liabilities</b>			
Contract liabilities		15,697,994	11,243,496
Trade and other payables	13	14,053,580	15,420,229
Lease liabilities		1,680	403
Bank and other borrowings	14	2,508,033	2,434,155
Current income tax liabilities		64,818	348,326
		<b>32,326,105</b>	29,446,609
<b>Total liabilities</b>		<b>34,883,382</b>	31,819,605
<b>Total equity and liabilities</b>		<b>45,721,111</b>	42,174,951

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Approved by the Board of Directors on 27 August 2021 and were signed on its behalf.



## Interim Condensed Consolidated Income Statement

	Note	Unaudited	
		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Revenue	6	13,114,524	11,201,994
Cost of sales	17	(12,207,422)	(10,314,765)
<b>Gross profit</b>		<b>907,102</b>	887,229
Other income	15	101,679	49,152
Other gains – net	16	45,989	25,850
Selling and marketing costs	17	(104,554)	(42,567)
Administrative expenses	17	(359,496)	(315,755)
Net (impairment losses)/reversal of impairment losses on financial assets and contract assets		(8,748)	2,710
<b>Operating profit</b>		<b>581,972</b>	606,619
Finance income	18	6,467	8,820
Finance costs	18	(67,926)	(63,642)
Finance costs – net	18	(61,459)	(54,822)
Share of results of investments accounted for using the equity method	7	54,506	(14,032)
<b>Profit before income tax</b>		<b>575,019</b>	537,765
Income tax expenses	19	(190,529)	(194,358)
<b>Profit for the period</b>		<b>384,490</b>	343,407
<b>Profit attributable to:</b>			
– Owners of the Company		335,479	298,105
– Non-controlling interests		49,011	45,302
		<b>384,490</b>	343,407
<b>Earnings per share for profit attributable to the owners of the Company</b>			
– Basic and diluted (expressed in RMB yuan per share)	20	0.60	0.53

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

## Interim Financial Information

## Interim Condensed Consolidated Statement of Comprehensive Income

Unaudited  
Six months ended 30 June

	2021 RMB'000	2020 RMB'000
<b>Profit for the period</b>	<b>384,490</b>	343,407
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(107)	-
<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	95,987	-
<b>Total other comprehensive income for the period, net of tax</b>	<b>95,880</b>	-
<b>Total comprehensive income for the period</b>	<b>480,370</b>	343,407
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	431,359	298,105
– Non-controlling interests	49,011	45,302
	<b>480,370</b>	343,407

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## 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	Reserves	Retained earnings	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2020</b>	562,664	481,433	209,296	7,936,651	9,190,044	393,861	9,583,905
<b>Comprehensive income</b>							
Profit for the period	-	-	-	298,105	298,105	45,302	343,407
<b>Total comprehensive income for the period</b>	-	-	-	298,105	298,105	45,302	343,407
<b>Transactions with owners in their capacity as owners</b>							
Capital contributions by non-controlling interests	-	-	-	-	-	15,397	15,397
Dividends to non-controlling interests	-	-	-	-	-	(43,861)	(43,861)
Total transactions with owners	-	-	-	-	-	(28,464)	(28,464)
<b>Balance at 30 June 2020</b>	562,664	481,433	209,296	8,234,756	9,488,149	410,699	9,898,848

## Interim Financial Information

## Interim Condensed Consolidated Statement of Changes in Equity (continued)

	Unaudited						
	Attributable to the owners of the Company				Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000			
<b>Balance at 1 January 2021</b>	562,664	481,433	208,997	8,726,599	9,979,693	375,653	10,355,346
<b>Comprehensive income</b>							
Profit for the period	-	-	-	335,479	335,479	49,011	384,490
Other comprehensive income	-	-	95,880	-	95,880	-	95,880
<b>Total comprehensive income for the period</b>	-	-	95,880	335,479	431,359	49,011	480,370
<b>Transactions with owners in their capacity as owners</b>							
Buy-back and cancellation of shares	(2,030)	(5,467)	-	-	(7,497)	-	(7,497)
Capital contributions by non-controlling interests	-	-	-	-	-	9,510	9,510
Total transactions with owners	(2,030)	(5,467)	-	-	(7,497)	9,510	2,013
<b>Balance at 30 June 2021</b>	560,634	475,966	304,877	9,062,078	10,403,555	434,174	10,837,729

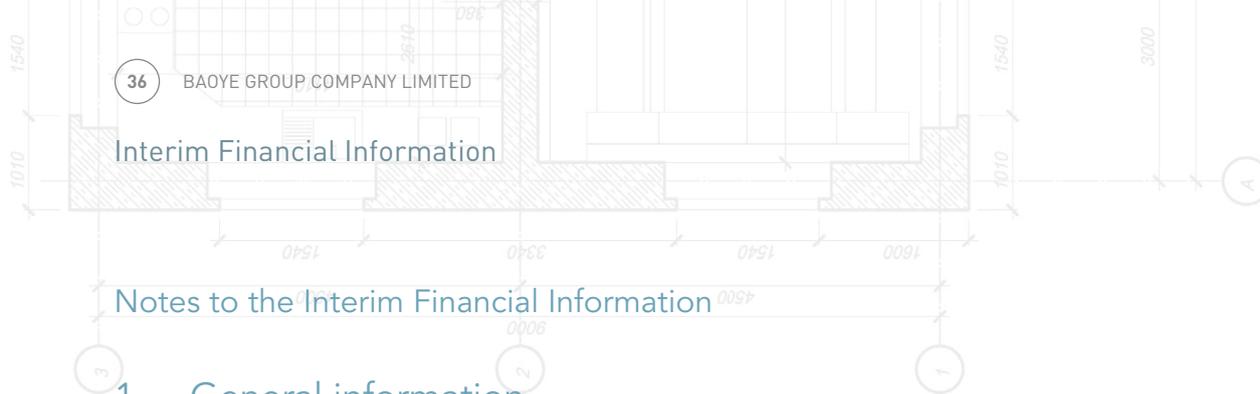
The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Interim Financial Information

## Interim Condensed Consolidated Statement of Cash Flows

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from/(used in) operations	610,231	(233,393)
Interest paid	(138,340)	(128,753)
Income tax paid	(462,363)	(297,578)
<b>Net cash generated from/(used in) operating activities</b>	<b>9,528</b>	<b>(659,724)</b>
<b>Cash flows from investing activities</b>		
Payments for investments in joint ventures	(6,800)	(1,200)
Loans to joint ventures	(7,033)	(39,000)
Loans to associates	(137,031)	-
Repayments of loans by joint ventures	149,200	1,374
Payments for investments in associates	-	(16,000)
Purchases of financial assets at fair value through profit or loss	(481,000)	(414,100)
Disposal of financial assets at fair value through profit or loss	748,503	484,078
Net cash acquired from acquisition of subsidiaries	157,367	-
Disposal of subsidiaries, net of cash disposed of	-	77,000
Advances from government for housing demolition and relocation	164,634	1,462
Purchases of property, plant and equipment	(167,858)	(175,131)
Disposal of property, plant and equipment	7,925	3,280
Purchases of right-of-use for land	(12,301)	(31,058)
Decrease of term deposits with initial term of over three months	49,019	194,052
Interest received	92,147	39,212
<b>Net cash generated from investing activities</b>	<b>556,772</b>	<b>123,969</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2,360,270	2,718,977
Repayments of borrowings	(2,152,692)	(2,161,443)
Principal elements of lease payments	(3,330)	(4,055)
Capital contributions by non-controlling interests	9,510	15,397
Buy-back of shares	(83,816)	-
(Repayments of advances from)/advances from non-controlling interests	(389,047)	134,042
Dividends paid to non-controlling interests	-	(43,861)
<b>Net cash (used in)/generated from financing activities</b>	<b>(259,105)</b>	<b>659,057</b>
<b>Net increase in cash and cash equivalents</b>	<b>307,195</b>	<b>123,302</b>
Cash and cash equivalents at beginning of the period	7,261,532	5,504,968
Exchange losses on cash and cash equivalents	(1,891)	-
<b>Cash and cash equivalents at end of the period</b>	<b>7,566,836</b>	<b>5,628,270</b>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.



## 1 General information

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

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

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

Unless otherwise stated, this interim financial information for the six months ended 30 June 2021 (“Interim Financial Information”) is presented in Renminbi (“RMB”). The Interim Financial Information has not been audited.

## 2 Basis of preparation

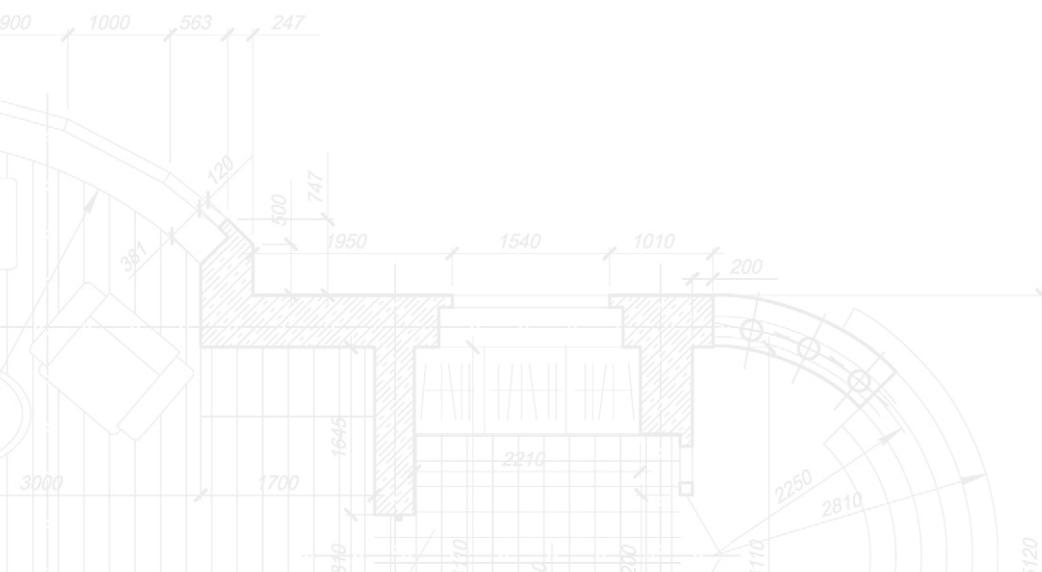
This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The Interim Financial Information should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2020 (the “2020 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”) and disclosure requirements of the Stock Exchange of Hong Kong Limited, and any public announcements made by the Company during the interim reporting period.

## 3 Significant accounting policies

The accounting policies applied are consistent with those of the 2020 Financial Statements, except for the adoption of new and amendments to HKFRSs effective for the financial year beginning 1 January 2021.

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.



Notes to the Interim Financial Information (continued)

3 Significant accounting policies (continued)

(b) **New standards, amendments and interpretations to existing standards have been issued but not yet effective and have not been early adopted by the Group**

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 16	Covid-19 related rent concessions beyond 20 June 2021	1 April 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
Annual Improvements to HKFRS Standards 2018–2020 Accounting Guideline 5 (Revised)		1 January 2022
	Merger accounting for common control combinations	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 HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint venture	To be determined

Based on management’s preliminary assessment, none of the above new standard, amendments and interpretation is expected to have a significant impact 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 2020 Financial Statements.

## 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 2020 Financial Statements.

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

### 5.2 Liquidity risk

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows.

	As at 30 June 2021				
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Principal of bank and other borrowings	2,508,033	788,100	884,050	681,250	4,861,433
Interest of bank and other borrowings	189,353	92,945	171,793	10,943	465,034
Trade and other payables (excluding other taxes payables, advance and salaries payables)	12,958,260	-	-	-	12,958,260
Lease liabilities	1,994	22,806	-	-	24,800
Financial guarantees	2,613,595	-	-	-	2,613,595
	18,271,235	903,851	1,055,843	692,193	20,923,122

## Notes to the Interim Financial Information (continued)

## 5 Financial risk management (continued)

## 5.2 Liquidity risk (continued)

	As at 31 December 2020				
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Principal of bank and other borrowings	2,434,155	725,750	689,200	804,750	4,653,855
Interest of bank and other borrowings	112,170	54,860	117,705	63,759	348,494
Trade and other payables (excluding other taxes payables, advance and salaries payables)	14,420,027	-	-	-	14,420,027
Lease liabilities	507	2,216	-	-	2,723
Financial guarantees	1,664,673	-	-	-	1,664,673
	18,631,532	782,826	806,905	868,509	21,089,772

The Group had adequate financial resources to repay these debts when they become due and payable.

## 5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2021 and 31 December 2020, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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).

5 Financial risk management (continued)

5.3 Fair value estimation (continued)

	As at 30 June 2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss ("Financial assets at FVPL")				
– Bank financial products	–	–	504,600	504,600
– Listed equity securities	8,190	–	–	8,190
Financial assets at fair value through other comprehensive income ("Financial assets at FVOCI")				
– Listed equity securities	156,250	–	–	156,250
– Unlisted equity securities	–	–	199,174	199,174
	<b>164,440</b>	<b>–</b>	<b>703,774</b>	<b>868,214</b>

	As at 31 December 2020			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL				
– Bank financial products	–	–	753,600	753,600
– Listed equity securities	6,752	–	–	6,752
Financial assets at FVOCI				
– Unlisted equity securities	–	–	222,568	222,568
	<b>6,752</b>	<b>–</b>	<b>976,168</b>	<b>982,920</b>

During the period, there were no reclassifications of financial assets.

There were no changes in valuation techniques during the period.

Notes to the Interim Financial Information (continued)

5 Financial risk management (continued)

5.3 Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the period.

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
At 1 January	976,168	786,197
Additions	481,000	414,100
Disposals	(730,000)	(472,100)
Fair value changes recognised in other comprehensive income	58,093	–
Transfer to level 1	(81,487)	–
At 30 June	703,774	728,197
Gains recognised in 'Other gains – net'	18,503	11,978

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.

6 Segment information

The executive directors (chief operating decision-maker) assess the performance of the operating segments based on a measurement of operating profit. Information of segment assets and liabilities are not included in the reports reviewed by the executive directors. 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 2021 compared to 2020.

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 consolidated income statement.

## Notes to the Interim Financial Information (continued)

## 6 Segment information (continued)

The segment information provided to executive directors for the reportable segments for the six months ended 30 June 2021 and 2020 are as follows:

	Six months ended 30 June 2021				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Revenue from contracts with customers	11,563,600	1,277,538	1,526,244	393,350	14,760,732
Recognised at a point in time	–	1,271,896	704,019	380,259	2,356,174
Recognised over time	11,563,600	5,642	822,225	13,091	12,404,558
Revenue from other sources					
Rental income	–	–	–	65,524	65,524
Total segment revenue	11,563,600	1,277,538	1,526,244	458,874	14,826,256
Less: inter-segment revenue	(959,312)	–	(473,964)	(278,456)	(1,711,732)
<b>Revenue (from external customers)</b>	<b>10,604,288</b>	<b>1,277,538</b>	<b>1,052,280</b>	<b>180,418</b>	<b>13,114,524</b>
<b>Operating profit/segment results</b>	<b>310,992</b>	<b>215,783</b>	<b>42,029</b>	<b>13,168</b>	<b>581,972</b>
Depreciation	32,967	5,250	53,701	23,831	115,749
Net impairment losses/(reversal of impairment losses) on financial assets and contract assets	8,439	522	(83)	(130)	8,748

## Notes to the Interim Financial Information (continued)

## 6 Segment information (continued)

	Six months ended 30 June 2020				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Revenue from contracts with customers	10,088,765	925,647	1,370,722	243,886	12,629,020
Recognised at a point in time	-	917,115	804,512	234,628	1,956,255
Recognised over time	10,088,765	8,532	566,210	9,258	10,672,765
Revenue from other sources					
Rental income	-	-	-	44,238	44,238
Total segment revenue	10,088,765	925,647	1,370,722	288,124	12,673,258
Less: inter-segment revenue	(1,023,261)	-	(305,046)	(142,957)	(1,471,264)
<b>Revenue (from external customers)</b>	<b>9,065,504</b>	<b>925,647</b>	<b>1,065,676</b>	<b>145,167</b>	<b>11,201,994</b>
<b>Operating profit/segment results</b>	<b>249,638</b>	<b>335,543</b>	<b>18,519</b>	<b>2,919</b>	<b>606,619</b>
Depreciation	27,429	9,252	53,501	19,397	109,579
Net (reversal of impairment losses)/ impairment losses on financial assets and contract assets	(2,729)	136	217	(334)	(2,710)

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

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the six months ended 30 June 2021 and 2020.

Nearly 100% of the Group's revenue is attributable to the markets in Mainland China and over 99% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

## Analysis of revenue by category

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Provision of construction services	10,604,288	9,065,504
Sale of properties	1,277,538	925,647
Sale of building materials	1,052,280	1,065,676
Rental income	65,524	44,238
Others	114,894	100,929
	<b>13,114,524</b>	<b>11,201,994</b>

## 7 Investments accounted for using the equity method

	30 June 2021 RMB'000	31 December 2020 RMB'000
Investments in joint ventures (a)	290,249	462,799
Investments in associates (b)	120,745	213,970
	<b>410,994</b>	<b>676,769</b>

## (a) Investments in joint ventures

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	462,799	457,465
Additions	6,800	1,200
Transfer to investments in subsidiaries	(161,859)	–
Share of results	(17,709)	(4,766)
Adjustment for transactions between the Group and joint ventures	218	570
<b>At 30 June</b>	<b>290,249</b>	<b>454,469</b>
Represented by share of net assets	<b>290,249</b>	<b>454,469</b>

## (b) Investments in associates

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	213,970	44,724
Additions	–	184,000
Transfer to investments in subsidiaries	(165,440)	–
Share of results	72,215	(9,266)
<b>At 30 June</b>	<b>120,745</b>	<b>219,458</b>
Represented by share of net assets	<b>120,745</b>	<b>219,458</b>

The Group acquired 51% equity interest in Wuhan Yuzhu Real Estate Development Co., Ltd. (武漢裕築房地產開發有限公司, "Wuhan Yuzhu"), a joint venture of the Group, in May 2021 and 40% equity interest in Wuhan Baoye Yuke Real Estate Co., Ltd. (武漢寶業裕科置業有限公司, "Wuhan Yuke"), an associate of the Group, in June 2021, respectively. Since then, Wuhan Yuzhu and Wuhan Yuke have become wholly owned subsidiaries of the Group. The major assets held by Wuhan Yuzhu and Wuhan Yuke as at the date of acquisition were properties under development, and no organized workforce were acquired. Therefore, the acquisitions of Wuhan Yuzhu and Wuhan Yuke were accounted for as acquisition of assets from accounting perspective, and the acquired assets were recorded at cost.

## Notes to the Interim Financial Information (continued)

## 8 Trade and other receivables

	30 June 2021 RMB'000	31 December 2020 RMB'000
<b>Non-current assets</b>		
Loans to joint ventures (a)	354,774	384,624
Loans to associates (b)	228,450	228,450
	<b>583,224</b>	613,074
<b>Current assets</b>		
Trade receivables (c)	4,446,718	4,023,446
Other receivables and prepayments (d)	2,596,582	2,306,408
Loans to joint ventures (a)	193,556	294,958
Loans to associates (b)	143,659	7,314
	<b>7,380,515</b>	6,632,126

## (a) Loans to joint ventures

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	687,182	892,976
Additions	7,033	39,000
Repayments	(149,200)	(1,374)
Interest accrued	9,532	9,940
	<b>554,547</b>	940,542
Less: provision for loss allowance	(6,217)	(9,499)
<b>At 30 June</b>	<b>548,330</b>	931,043
Less: current portion	(193,556)	(309,169)
<b>Non-current portion</b>	<b>354,774</b>	621,874

Loans to joint ventures amounting to RMB172,388,000 (31 December 2020: RMB275,023,000) are interest-bearing at market lending rates ranging from 4% to 5.22% (31 December 2020: at ranging from 4% to 5.22%) with maturity within one year, and the remaining loans are interest-free, unsecured and repayable on demand.

## 8 Trade and other receivables (continued)

## (b) Loans to associates

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>At 1 January</b>	<b>238,145</b>	244,176
Additions	<b>137,031</b>	–
	<b>375,176</b>	244,176
Less: provision for loss allowance	<b>(3,067)</b>	(2,442)
<b>At 30 June</b>	<b>372,109</b>	241,734
Less: current portion	<b>(143,659)</b>	(9,324)
Non-current portion	<b>228,450</b>	232,410

Loans to associates are interest-free, unsecured and repayable on demand as at 30 June 2021 and 31 December 2020.

## (c) Trade receivables

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>4,760,872</b>	4,330,627
Less: provision for loss allowance	<b>(314,154)</b>	(307,181)
	<b>4,446,718</b>	4,023,446

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).

Notes to the Interim Financial Information (continued)

8 Trade and other receivables (continued)

(c) Trade receivables (continued)

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

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Within 3 months	<b>1,706,154</b>	1,496,710
3 months to 1 year	<b>1,422,528</b>	1,109,437
1 to 2 years	<b>848,257</b>	1,102,773
2 to 3 years	<b>563,565</b>	379,662
Over 3 years	<b>220,368</b>	242,045
	<b>4,760,872</b>	4,330,627

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the six months ended 30 June 2021, a provision of RMB6,973,000 (six months ended 30 June 2020: reversal of RMB4,820,000) 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.

## 8 Trade and other receivables (continued)

### (d) Other receivables and prepayments

	30 June 2021 RMB'000	31 December 2020 RMB'000
<b>Other receivables:</b>		
– Retention money and project deposits	1,016,467	906,292
– Advances to project managers (i)	173,708	101,145
– Bidding deposits for land use rights for property development	248,460	–
– Others	419,819	457,871
	<b>1,858,454</b>	1,465,308
Less: provision for loss allowance	<b>(8,175)</b>	(7,440)
	<b>1,850,279</b>	1,457,868
<b>Prepayments:</b>		
– Prepayments for land use rights for property development	501,143	727,071
– Prepaid income taxes	41,957	45,983
– Prepayments for buy-back of shares	78,658	2,339
– Others	124,545	73,147
	<b>746,303</b>	848,540
<b>Other receivables and prepayments</b>	<b>2,596,582</b>	2,306,408

(i) Advances to project managers are unsecured, repayable on demand and interest bearing at market lending rates.

Notes to the Interim Financial Information (continued)

9 Right-of-use assets, plant and equipment and investment properties

	Right-of-use for land RMB'000	Right-of-use for properties RMB'000	Property, plant and equipment RMB'000	Investment properties RMB'000
<b>Six months ended 30 June 2020</b>				
At 1 January 2020	665,821	10,074	2,628,086	766,435
Additions	31,058	-	175,131	-
Interest capitalised (Note 18)	-	-	10,262	-
Disposals	-	-	(2,652)	-
Depreciation	(8,937)	(3,586)	(97,056)	-
At 30 June 2020	687,942	6,488	2,713,771	766,435
<b>Six months ended 30 June 2021</b>				
At 1 January 2021	683,811	3,152	2,798,312	764,969
Additions	12,301	21,643	167,858	-
Interest capitalised (Note 18)	-	-	9,058	-
Disposals	-	-	(7,191)	-
Depreciation	(10,863)	(4,555)	(100,331)	-
At 30 June 2021	685,249	20,240	2,867,706	764,969

The valuations of investment properties at 30 June 2021 and 30 June 2020 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.

## Notes to the Interim Financial Information (continued)

## 10 Contract assets

Details of contract assets are as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Relating to construction services	5,758,683	5,025,646
Relating to installation of building materials	436,024	491,303
	<b>6,194,707</b>	5,516,949
Less: provision for loss allowance	(30,930)	(29,193)
Total contract assets	<b>6,163,777</b>	5,487,756

## 11 Share capital and premium

	Number of shares (thousands of RMB1 each)	Ordinary RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2021				
– Domestic shares	350,742	350,742	–	350,742
– H shares	211,922	211,922	481,433	693,355
	<b>562,664</b>	<b>562,664</b>	<b>481,433</b>	<b>1,044,097</b>
Buy-back and cancellation of H shares (a)	(2,030)	(2,030)	(5,467)	(7,497)
At 30 June 2021				
– Domestic shares	350,742	350,742	–	350,742
– H shares	209,892	209,892	475,966	685,858
	<b>560,634</b>	<b>560,634</b>	<b>475,966</b>	<b>1,036,600</b>
At 31 December 2020				
– Domestic shares	350,742	350,742	–	350,742
– H shares	211,922	211,922	481,433	693,355
	<b>562,664</b>	<b>562,664</b>	<b>481,433</b>	<b>1,044,097</b>

## Notes to the Interim Financial Information (continued)

## 11 Share capital and premium (continued)

- (a) During the period, the Company repurchased and cancelled 2,030,000 H Shares, representing approximately 0.9579% and 0.3608% of the total number of H Shares and total number of issued shares of the Company, respectively. The total amounts paid were approximately HKD9,059,000 (equivalent to approximately RMB7,497,000).

## 12 Reserves

	Financial assets fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
<b>Six months ended 30 June 2021</b>				
At 1 January 2021	(7,275)	225,695	(9,423)	208,997
Revaluation of financial assets at FVOCI	127,983	-	-	127,983
Revaluation-tax	(31,996)	-	-	(31,996)
Currency translation differences	-	-	(107)	(107)
At 30 June 2021	88,712	225,695	(9,530)	304,877
<b>Six months ended 30 June 2020</b>				
At 1 January 2020 and at 30 June 2020	(3,053)	221,559	(9,210)	209,296

## 13 Trade and other payables

	30 June 2021 RMB'000	31 December 2020 RMB'000
Trade payables (a)	7,423,878	8,109,165
Other payables (b)	6,629,702	7,311,064
	14,053,580	15,420,229

## 13 Trade and other payables (continued)

## (a) Trade payables

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within 3 months	2,846,859	3,910,773
3 months to 1 year	3,105,913	2,715,607
1 to 2 years	724,698	777,780
2 to 3 years	545,012	563,460
Over 3 years	201,396	141,545
	<b>7,423,878</b>	<b>8,109,165</b>

## (b) Other payables

	30 June 2021 RMB'000	31 December 2020 RMB'000
Deposits from project managers	3,130,569	3,219,586
Amounts due to non-controlling interests (i)	882,265	1,271,312
Advances from government for housing demolition and relocation (ii)	615,225	450,591
Deposits from property purchasers	719,497	742,656
Other taxes payables	421,420	450,515
Salaries payables	58,675	99,096
Others	802,051	1,077,308
	<b>6,629,702</b>	<b>7,311,064</b>

(i) Amounts due to non-controlling interests were unsecured, interest-free and repayable on demand.

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

## Notes to the Interim Financial Information (continued)

## 14 Bank and other borrowings

	30 June 2021 RMB'000	31 December 2020 RMB'000
<b>Non-current liabilities</b>		
Long-term bank and other borrowings		
– Secured (a)	1,820,650	1,767,370
– Unsecured with guarantee (b)	86,213	81,175
Asset-backed securities		
– Secured (a)	550,000	550,000
Less: current portion	(103,463)	(178,845)
	<b>2,353,400</b>	<b>2,219,700</b>
<b>Current liabilities</b>		
Short-term bank and other borrowings		
– Secured (a)	84,470	49,700
– Unsecured with guarantee (b)	2,120,100	1,956,110
– Guaranteed by the companies within the Group	200,000	199,500
– Unsecured	–	50,000
Current portion of non-current liabilities	103,463	178,845
	<b>2,508,033</b>	<b>2,434,155</b>
	<b>4,861,433</b>	<b>4,653,855</b>

## 14 Bank and other borrowings (continued)

Movements in bank and other borrowings are analysed as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
At 1 January	4,653,855	4,799,689
Additions	2,360,270	2,718,977
Repayments	(2,152,692)	(2,161,443)
At 30 June	4,861,433	5,357,223

(a) Bank and other borrowings of the Group were secured by following assets:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Properties under development	4,840,365	4,791,724
Right-of-use for land	335,280	483,252
Investment properties	610,871	610,871
Property, plant and equipment	236,770	201,865
Completed properties held for sale	185,290	–
Trade receivables	460,790	–
Equity interests of a subsidiary	168,000	–
	6,837,366	6,087,712

(b) These loans were guaranteed by:

	30 June 2021 RMB'000	31 December 2020 RMB'000
The Company	2,071,100	1,856,600
The Company and non-controlling shareholders (jointly)	76,713	81,175
Others	58,500	99,510
	2,206,313	2,037,285

(c) The carrying amounts of bank and other borrowings are mainly denominated in RMB. The weighted average effective interest rate of borrowings at 30 June 2021 was 4.50% per annum (31 December 2020: 4.43% per annum).

Notes to the Interim Financial Information (continued)

15 Other income

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest income on		
– Financial assets held as investments	70,991	30,235
– Advances to project managers and joint ventures	30,688	18,917
	<b>101,679</b>	<b>49,152</b>

16 Other gains – net

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Government grants and compensation	23,370	20,865
Gains on disposal of financial assets at FVPL	18,503	11,978
Net foreign exchange gains	4,455	4,571
Gains on disposal of property, plant and equipment	734	628
Fair value gains/(losses) from financial assets at FVPL	1,438	(432)
Donations	(122)	(6,566)
Others	(2,389)	(5,194)
	<b>45,989</b>	<b>25,850</b>

## 17 Expenses by nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses were analysed as follows:

### Six months ended 30 June

	2021 RMB'000	2020 RMB'000
Cost of construction contracts	7,709,702	6,697,914
Employee benefit expenses	2,892,330	2,349,566
Raw materials and consumables used	756,964	799,656
Cost of properties sold	946,314	515,998
Depreciation charges	115,749	109,579
Changes in inventories of finished goods and work in progress	(7,700)	54,760
Others	258,113	145,614
	<b>12,671,472</b>	<b>10,673,087</b>

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

## 18 Finance costs – net

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Finance costs:		
Interests on bank and other borrowings and lease liabilities	138,340	128,753
Less: interest capitalised in properties under development	(63,124)	(54,915)
Less: interest capitalised in constructions in progress	(9,058)	(10,262)
	66,158	63,576
Net foreign exchange losses on financing activities	1,768	66
	67,926	63,642
Finance income:		
Interest income from financial assets held for cash management purposes	(6,467)	(8,820)
Finance costs – net	61,459	54,822

## 19 Income tax expenses

During the period, the Group is subject to the same types of income taxes as those disclosed in 2020 Financial Statements. Income tax expenses are determined and accounted for based on management's estimate of the annual income tax rate expected for the full financial year.

The amount of income tax expenses charged to the consolidated income statement represent:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current income tax		
– PRC corporate income tax	144,544	178,787
– Land appreciation tax	33,356	44,973
	177,900	223,760
Deferred income tax		
– PRC corporate income tax	13,894	(29,244)
– Land appreciation tax	(1,265)	(158)
	12,629	(29,402)
	190,529	194,358

## 20 Earnings per share

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

	Six months ended 30 June	
	2021	2020
Profit attributable to the owners of the Company (RMB'000)	335,479	298,105
Weighted average number of ordinary shares in issue during the period (thousands shares)	562,574	562,664
Basic earnings per share (RMB yuan)	0.60	0.53

The Company had no dilutive potential shares in issue during the six months ended 30 June 2021 and 2020, thus the diluted earnings per share equalled the basic earnings per share.

Notes to the Interim Financial Information (continued)

## 21 Dividends

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

## 22 Financial guarantees

	30 June 2021 RMB'000	31 December 2020 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	2,613,595	1,664,673

The Group had issued performance guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of property 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.

## 23 Related-party transactions

Apart from those related party transactions disclosed elsewhere in the Interim Financial Information, the Group has the following transactions and balances with related parties:

### (a) Transactions with related parties

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Sales of goods	5,257	1,261
Rental income	301	1,648
Provision of technical consulting services	88	7,291
Purchase of technical consulting services	-	18
Purchase of building materials	50,279	81,751

### (b) Balances with related parties

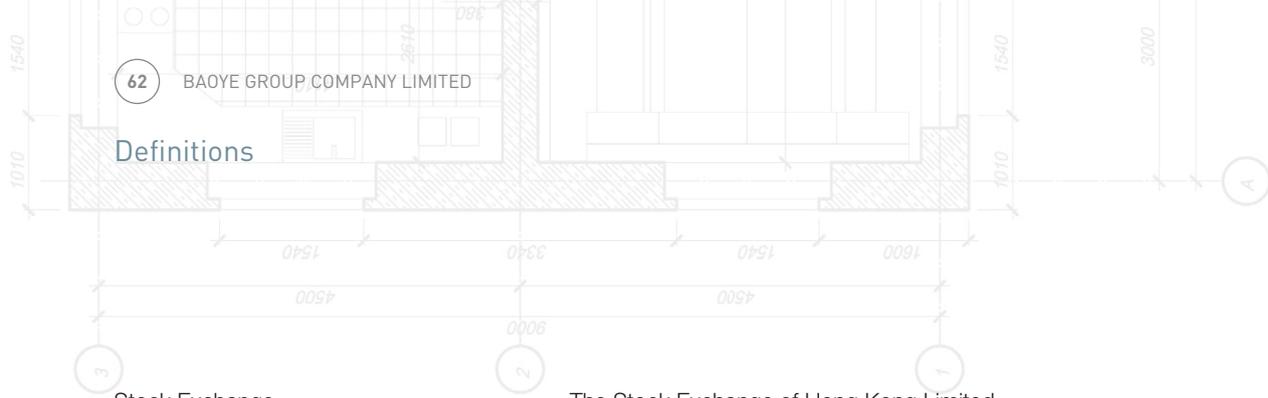
	30 June 2021 RMB'000	31 December 2020 RMB'000
Trade receivables	15,374	45,978
Trade payables	26,903	36,681

# 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





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 2021

