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

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

(Stock Code: 2355)

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Baoye Group Company Limited\* (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with comparative figures for the corresponding period in 2021. The interim results had been reviewed by the audit committee of the Board and approved by the Board. The following financial information is extracted from the unaudited interim financial information as set out in the Group’s 2022 Interim Report.

\* for identification purpose only

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2022</b>	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	<b>13,005,950</b>	13,114,524
Cost of sales		<b>(12,435,841)</b>	(12,207,422)
<b>Gross profit</b>		<b>570,109</b>	907,102
Other income		<b>133,278</b>	101,679
Other gains – net	5	<b>66,012</b>	45,989
Selling and marketing costs		<b>(44,527)</b>	(104,554)
Administrative expenses		<b>(336,303)</b>	(359,496)
Net impairment losses on financial assets and contract assets		<b>(21,112)</b>	(8,748)
<b>Operating profit</b>		<b>367,457</b>	581,972
Finance income		<b>6,716</b>	6,467
Finance costs		<b>(16,040)</b>	(67,926)
Finance costs – net		<b>(9,324)</b>	(61,459)
Share of results of investments accounted for using the equity method		<b>33,040</b>	54,506
<b>Profit before income tax</b>		<b>391,173</b>	575,019
Income tax expense	6	<b>(136,379)</b>	(190,529)
<b>Profit for the period</b>		<b>254,794</b>	384,490
<b>Profit attributable to:</b>			
– Owners of the Company		<b>241,796</b>	335,479
– Non-controlling interests		<b>12,998</b>	49,011
		<b>254,794</b>	384,490
<b>Earnings per share for profit attributable to the owners of the Company</b>			
– Basic and diluted (expressed in RMB yuan per share)	7	<b>0.44</b>	0.60

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the period</b>	<b>254,794</b>	384,490
<b>Other comprehensive loss:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Currency translation differences	(2,579)	(107)
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of financial assets at fair value through other comprehensive income	(24,235)	95,987
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<b>Total other comprehensive income for the period, net of tax</b>	<b>(26,814)</b>	95,880
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<b>Total comprehensive income for the period</b>	<b>227,980</b>	480,370
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<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	214,982	431,359
– Non-controlling interests	12,998	49,011
	<hr/>	<hr/>
	<b>227,980</b>	480,370
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## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,277,690	2,979,776
Right-of-use assets		696,841	705,160
Investment properties		763,166	763,934
Intangible assets		388,147	388,147
Investments accounted for using the equity method	8	350,390	381,708
Trade and other receivables	9	404,226	632,676
Financial assets at fair value through other comprehensive income		331,381	363,694
Financial assets at fair value through profit or loss		7,783	6,948
Deferred income tax assets		345,264	303,794
		<b>6,564,888</b>	6,525,837
<b>Current assets</b>			
Inventories		310,150	283,715
Properties under development		14,609,733	14,938,687
Completed properties held for sale		3,798,218	2,228,468
Contract assets		7,423,879	7,226,715
Trade and other receivables	9	6,933,095	7,835,106
Financial assets at fair value through profit or loss		308,600	481,600
Restricted bank deposits		1,152,552	1,263,180
Term deposits with initial term of over three months		404,608	318,452
Cash and cash equivalents		7,635,885	7,813,911
		<b>42,576,720</b>	42,389,834
<b>Total assets</b>		<b>49,141,608</b>	48,915,671

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	<b>Unaudited 30 June 2022 RMB'000</b>	<b>Audited 31 December 2021 RMB'000</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and premium		961,974	1,035,874
Other reserves		310,410	335,484
Retained earnings		9,734,911	9,494,855
		<b>11,007,295</b>	10,866,213
<b>Non-controlling interests</b>		<b>496,458</b>	482,960
<b>Total equity</b>		<b>11,503,753</b>	11,349,173
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings		836,755	963,225
Lease liabilities		16,305	15,547
Deferred income tax liabilities		209,867	206,658
		<b>1,062,927</b>	1,185,430
<b>Current liabilities</b>			
Contract liabilities		17,033,411	16,767,601
Trade and other payables	10	16,366,947	16,256,918
Lease liabilities		3,131	1,599
Bank and other borrowings		2,838,771	3,089,121
Current income tax liabilities		332,668	265,829
		<b>36,574,928</b>	36,381,068
<b>Total liabilities</b>		<b>37,637,855</b>	37,566,498
<b>Total equity and liabilities</b>		<b>49,141,608</b>	48,915,671

## 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 2022 (“**Interim Financial Information**”) is presented in Renminbi (“**RMB**”). The Interim Financial Information has not been audited.

The outbreak of the coronavirus disease 2019 (“**COVID-19**”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the Group including revenue, fair values of investment properties and financial assets at fair value through profit or loss, allowance for expected credit losses on trade and other receivables and contract assets. Due to the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 outbreak and reacted actively to its impact on the financial position and operating results of the Group.

### 2 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2022 has been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34, ‘Interim financial reporting’. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 (the “**2021 Financial Statements**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”) 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 Accounting policies

The accounting policies applied are consistent with those of the 2021 Financial Statements, except for the adoption of new and amendments to HKFRSs effective for the financial year beginning 1 January 2022.

*(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.

*(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*

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 30 June 2022 reporting period and have not been early adopted by the Group. These standards, amendments and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### 4 Segment information

The segment information provided to executive directors for the reportable segments for the six months ended 30 June 2022 and 2021 are as follows:

	Six months ended 30 June 2022				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Revenue from contracts with customers	10,669,019	2,320,441	1,422,451	312,462	14,724,373
Less: inter-segment revenue	(1,119,797)	–	(417,966)	(246,520)	(1,784,283)
	<u>9,549,222</u>	<u>2,320,441</u>	<u>1,004,485</u>	<u>65,942</u>	<u>12,940,090</u>
Recognised at a point in time	–	2,320,441	289,377	53,780	2,663,598
Recognised over time	9,549,222	–	715,108	12,162	10,276,492
Revenue from other sources					
Rental income	–	–	–	65,860	65,860
<b>Revenue (from external customers)</b>	<u>9,549,222</u>	<u>2,320,441</u>	<u>1,004,485</u>	<u>131,802</u>	<u>13,005,950</u>
<b>Operating profit/segment results</b>	<u>169,697</u>	<u>140,926</u>	<u>60,344</u>	<u>(3,510)</u>	<u>367,457</u>
Depreciation	36,066	5,801	66,222	31,131	139,220
Net impairment losses/(reversal of impairment losses) on financial assets and contract assets	<u>49,244</u>	<u>(349)</u>	<u>(33,129)</u>	<u>5,346</u>	<u>21,112</u>
	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
Less: inter-segment revenue	(959,312)	–	(473,964)	(278,456)	(1,711,732)
	<u>10,604,288</u>	<u>1,277,538</u>	<u>1,052,280</u>	<u>114,894</u>	<u>13,049,000</u>
Recognised at a point in time	–	1,271,896	230,055	104,022	1,605,973
Recognised over time	10,604,288	5,642	822,225	10,872	11,443,027
Revenue from other sources					
Rental income	–	–	–	65,524	65,524
<b>Revenue (from external customers)</b>	<u>10,604,288</u>	<u>1,277,538</u>	<u>1,052,280</u>	<u>180,418</u>	<u>13,114,524</u>
<b>Operating profit/segment results</b>	<u>310,992</u>	<u>215,783</u>	<u>42,029</u>	<u>13,168</u>	<u>581,972</u>
Depreciation	32,967	5,250	53,701	23,831	115,749
Net impairment losses/(reversal of impairment losses) on financial assets and contract assets	<u>8,439</u>	<u>522</u>	<u>(83)</u>	<u>(130)</u>	<u>8,748</u>

## 5 Other gains – net

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Government grants and compensation	28,095	23,370
Gains on disposal of financial assets at FVPL	5,692	18,503
Net foreign exchange gains	12,992	4,455
Gains on disposal of property, plant and equipment	9,805	734
Fair value gains from financial assets at FVPL	835	1,438
Fair value losses of investment properties	(768)	–
Donations	(2,188)	(122)
Others	11,549	(2,389)
	<u>66,012</u>	<u>45,989</u>

## 6 Income tax expenses

During the period, the Group is subject to the same types of income taxes as those disclosed in 2021 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 interim consolidated income statement represent:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	119,928	144,544
– Land appreciation tax	46,635	33,356
	<u>166,563</u>	<u>177,900</u>
Deferred income tax		
– PRC corporate income tax	(30,184)	13,894
– Land appreciation tax	–	(1,265)
	<u>(30,184)</u>	<u>12,629</u>
	<u>136,379</u>	<u>190,529</u>

## 7 Earnings per share

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
Profit attributable to the owners of the Company (RMB'000)	<b>241,796</b>	335,479
Weighted average number of ordinary shares in issue during the period (thousands shares)	<b>554,750</b>	562,574
Basic earnings per share (RMB yuan)	<b>0.44</b>	0.60

The Company had no dilutive potential shares in issue during the six months ended 30 June 2022 and 2021, thus the diluted earnings per share equalled the basic earnings per share.

## 8 Investments accounted for using the equity method

	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Investments in joint ventures (a)	<b>293,105</b>	285,093
Investments in associates (b)	<b>57,285</b>	96,615
	<b>350,390</b>	381,708

### (a) Investments in joint ventures

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>At 1 January</b>	<b>285,094</b>	462,799
Additions	<b>2,720</b>	6,800
Transfer to investments in subsidiaries	–	(161,859)
Share of results	<b>5,178</b>	(17,709)
Adjustment for transactions between the Group and joint ventures	<b>113</b>	218
<b>At 30 June</b>	<b>293,105</b>	290,249
Represented by share of net assets	<b>293,105</b>	290,249

(b) *Investments in associates*

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
<b>At 1 January</b>	<b>96,616</b>	213,970
Disposals	(67,193)	–
Transfer to investments in subsidiaries	–	(165,440)
Share of results	<b>27,862</b>	72,215
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<b>At 30 June</b>	<b>57,285</b>	120,745
	<hr/>	<hr/>
Represented by share of net assets	<b>57,285</b>	120,745
	<hr/>	<hr/>

9 **Trade and other receivables**

	30 June	31 December
	2022 RMB'000	2021 RMB'000
<b>Non-current assets</b>		
Loans to joint ventures (a)	<b>404,226</b>	404,226
Loans to associates (b)	–	228,450
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	<b>404,226</b>	632,676
	<hr/>	<hr/>
<b>Current assets</b>		
Trade receivables (c)	<b>4,827,932</b>	4,977,224
Other receivables and prepayments (d)	<b>1,883,998</b>	2,632,358
Loans to joint ventures (a)	<b>79,228</b>	81,865
Loans to associates (b)	<b>141,937</b>	143,659
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	<b>6,933,095</b>	7,835,106
	<hr/>	<hr/>

(a) *Loans to joint ventures*

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
<b>At 1 January</b>	<b>491,363</b>	687,182
Additions	–	7,033
Repayments	(3,750)	(149,200)
Interest accrued	<b>1,148</b>	9,532
	<b>488,761</b>	554,547
Less: provision for loss allowance	<b>(5,307)</b>	(6,217)
<b>At 30 June</b>	<b>483,454</b>	548,330
Less: current portion	<b>(79,228)</b>	(193,556)
Non-current portion	<b>404,226</b>	354,774

Loans to joint ventures amounting to RMB56,900,000 (30 June 2021: RMB172,388,000) are interest-bearing at market lending rates ranging from 4% to 5.22% (30 June 2021: at ranging from 4% to 5.22%) with maturity within one year, and the remaining loans are interest-free, unsecured and repayable on demand.

(b) *Loans to associates*

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
<b>At 1 January</b>	<b>375,175</b>	238,145
Additions	–	137,031
Repayments	(232,497)	–
	<b>142,678</b>	375,176
Less: provision for loss allowance	<b>(741)</b>	(3,067)
<b>At 30 June</b>	<b>141,937</b>	372,109
Less: current portion	<b>(141,937)</b>	(143,659)
Non-current portion	<b>–</b>	228,450

Loans to associates are interest-free, unsecured and repayable on demand as at 30 June 2022 and 2021.

(c) *Trade receivables*

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Trade receivables	<b>5,259,554</b>	5,402,402
Less: provision for loss allowance	<b>(431,622)</b>	(425,178)
	<b><u>4,827,932</u></b>	<u>4,977,224</u>

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

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

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Within 3 months	<b>1,899,159</b>	1,544,136
3 months to 1 year	<b>1,834,167</b>	2,110,377
1 to 2 years	<b>751,750</b>	837,362
2 to 3 years	<b>521,033</b>	605,724
Over 3 years	<b>253,445</b>	304,803
	<b><u>5,259,554</u></b>	<u>5,402,402</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the six months ended 30 June 2022, a provision of RMB6,444,000 (six months ended 30 June 2021: RMB6,973,000) 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.

(d) *Other receivables and prepayments*

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
<b>Other receivables:</b>		
– Retention money and project deposits	<b>590,016</b>	645,135
– Advances to project managers (i)	<b>56,436</b>	127,677
– Others	<b>337,470</b>	277,517
	<b>983,922</b>	1,050,329
Less: provision for loss allowance	<b>(5,067)</b>	(5,682)
	<b>978,855</b>	1,044,647
<b>Prepayments:</b>		
– Prepayments for land use rights for property development	<b>352,509</b>	1,206,298
– Prepaid income taxes	<b>491,926</b>	212,178
– Prepayments for buy-back of shares	–	76,487
– Others	<b>60,708</b>	92,748
	<b>905,143</b>	1,587,711
<b>Other receivables and prepayments</b>	<b>1,883,998</b>	2,632,358

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

**10 Trade and other payables**

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Trade payables (a)	<b>9,008,161</b>	8,931,312
Other payables (b)	<b>7,358,786</b>	7,325,606
	<b>16,366,947</b>	16,256,918

(a) *Trade payables*

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

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Within 3 months	<b>3,740,571</b>	4,068,131
3 months to 1 year	<b>3,489,195</b>	3,040,874
1 to 2 years	<b>925,378</b>	998,595
2 to 3 years	<b>635,387</b>	619,628
Over 3 years	<b>217,630</b>	204,084
	<b><u>9,008,161</u></b>	<b><u>8,931,312</u></b>

(b) *Other payables*

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Deposits from project managers	<b>3,239,493</b>	3,095,360
Amounts due to non-controlling interests (i)	<b>614,816</b>	1,071,237
Prepayments from government for housing demolition and relocation (ii)	<b>780,361</b>	780,361
Deposits from property purchasers	<b>721,809</b>	580,364
Other taxes payables	<b>920,963</b>	704,597
Salaries payables	<b>66,361</b>	93,174
Others	<b>1,014,983</b>	1,000,513
	<b><u>7,358,786</u></b>	<b><u>7,325,606</u></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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results Review

For the six months ended 30 June 2022, the Group achieved a consolidated revenue of approximately RMB13,005,950,000, which represents a decrease of approximately 1% compared with the corresponding period last year; operating profit amounted to approximately RMB367,457,000, which represents a decrease of approximately 37% as compared with the corresponding period last year; profit attributable to the owners of the Company amounted to approximately RMB241,796,000, which represents a decrease of approximately 28% compared to the same period last year; earnings per share was RMB0.44, which represents a decrease of approximately 27% compared to the same period last year. During the period, the epidemic still maintained a severe state of frequent outbreak in many cities. Local governments across the country still preserved the strict preventive and stringent control measures, all of which severely restricted the flow of people and logistics flow; the outbreak of the international vis-a-vis Russia-Ukraine war brought towards regional conflicts, energy crises and rising raw material prices, all these resulting effects have paved hurdles against the recovery of our economy. At the same time, affected by the “explosion crisis” of top-tier real estate development companies, the real estate market is undergoing various stages of continuous adjustment or correction, hence it will take some time for the industry to resurge. Under such negative operating environment, the operating profit of the Group had recorded an obvious decline.

### Revenue

	For the six months ended 30 June				Change
	2022		2021		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Construction	<b>9,549,222</b>	<b>73%</b>	10,604,288	81%	<b>-10%</b>
Property Development	<b>2,320,441</b>	<b>18%</b>	1,277,538	10%	<b>82%</b>
Building Materials	<b>1,004,485</b>	<b>8%</b>	1,052,280	8%	<b>-5%</b>
Others	<b>131,802</b>	<b>1%</b>	180,418	1%	<b>-27%</b>
Total	<b>13,005,950</b>	<b>100%</b>	13,114,524	100%	<b>-1%</b>

### Operating Profit

	For the six months ended 30 June				Change
	2022		2021		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Construction	<b>169,697</b>	<b>46%</b>	310,992	54%	<b>-45%</b>
Property Development	<b>140,926</b>	<b>38%</b>	215,783	37%	<b>-35%</b>
Building Materials	<b>60,344</b>	<b>17%</b>	42,029	7%	<b>44%</b>
Others	<b>(3,510)</b>	<b>-1%</b>	13,168	2%	<b>-127%</b>
Total	<b>367,457</b>	<b>100%</b>	581,972	100%	<b>-37%</b>

## **Construction Business**

For the six months ended 30 June 2022, the Group's construction business achieved a revenue of approximately RMB9,549,222,000, representing a decrease of approximately 10% compared to the same period last year; operating profit was approximately RMB169,697,000, representing a decrease of approximately 45% over the same period last year. During the period, affected by the overall macroeconomic slowdown and the enhancement of credit risk measures in the real estate industry, the revenue and operating profit of the Group's construction business declined significantly. In order to circumvent the worsening market environment, the Group enhanced the credit risk assessment of new market orders, especially in the field of housing projects construction by improving the incoming order quality and efficiency, giving up orders with weak financial guarantees and/or poor project payment terms at the outset. We rank project finance security in the first place, and the quantity of projects comes next. Meanwhile, the Group accelerated the collection efforts of receivables in due course. During the period, the Company undertook a decisive task to provide drastic bad debt provisions against some non-recoverable trade receivables and contract assets with some credit risk rising top-tier real estate development companies. These impairments, being made, have had a predominant negative impact for the gross profit margin of the construction business during the period.

During the period, the contract value of the new construction of the Group's construction business was approximately RMB7.6 billion (corresponding period of 2021: RMB11.9 billion), representing a decrease of approximately 36% compared to the same period last year. The decrease of new contract orders was mainly due to the outbreak of coronavirus epidemic and economy slowdown. In the challenging first half of 2022, the Group's construction business still secured some high-end representative projects, such as Shenzhou Boating Training Center EPC Project, Hangteng Future Society Project, Zhejiang Finance Institute Shaoxing Campus, River Scenic Textile City Project, Hefie Guofeng High School, Guofeng Primary School and etc with the unwavering efforts of the team.

## Property Development Business

### *Property Sales*

For the six months ended 30 June 2022, the revenue of the Group's property development business amounted to approximately RMB2,320,441,000, which represents a significant increase of approximately 82% from the corresponding period last year. Operating profit amounted to approximately RMB140,926,000, which represents a significant decrease of approximately 35% compared to the corresponding period last year. This was primarily attributable to the comparatively lower margin products that were recognised during the period as compared to the same period last year.

During the period under review, revenue of property sales was mainly derived from the following projects, details of which are set out below:

<b>Project</b>	<b>Location</b>	<b>Average Selling Price (RMB/Sqm)</b>	<b>Floor Areas Sold (Sqms)</b>	<b>Revenue (RMB'000)</b>
Baoye Huajie Fengqing	Lishui	7,728	167,242	1,292,440
Baoye Binhu Green Garden	Mengcheng	6,081	81,017	492,649
Hangtianfu Binjiang Garden	Wuhan	5,963	28,229	168,324
Baoye Sizhou Green Garden	Sixian	4,762	27,173	129,386
Baoye Xingyu Fu	Wuhan	7,186	17,003	122,183

For the six months ended 30 June 2022, the Group's property development business achieved a contract sales value of approximately RMB1.42 billion with a total contract sales area of approximately 129,115 square metres.

## Projects under Development

As at 30 June 2022, projects under development of the Group are tabulated below:

Project Name	Location	Total Floor Area Under Development (sqms)	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	300,000	100%
Daban Green Garden	Shaoxing	145,700	100%
Xialv Project.Yunxili	Shaoxing	214,970	60%
Fengyue Shangzhu	Hangzhou	49,497	100%
Baoye Xishan Yueyuan	Lishui	116,905	100%
Lishui Weicun Project	Lishui	127,942	100%
Baoye Phoenix One	Ningbo	84,005	100%
Baoye Active Hub	Shanghai	75,204	100%
Baoye Qingchunli	Shanghai	36,289	100%
Baoye Active Paradise	Shanghai	65,001	100%
Xingyu Fu	Wuhan	187,747	100%
Huangpi Phoenix City	Wuhan	102,015	100%
Shidai Green Garden	Mengcheng	149,994	60%
Binghe Green Garden	Mengcheng	Under planning	100%
Yinhe Green Garden	Taihe	209,185	100%
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%
Xuefu Green Garden	Sixian	Under planning	100%
Yeji Jiangnan Fu	Lu'an	98,451	70%
Qinglan Green Garden	Bozhou	Under planning	51%

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a “province-rank” resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient 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, a kindergarten and a central lakeside garden. Phase I has had a few units of house for sale. Phase II of approximately 300,000 square meters is currently under planning. The presales of the first-batch of terrace houses, semi-detached houses and villas have begun presale. The presale results was good.

Daban Green Garden, located in Keqiao District, Shaoxing City, Zhejiang Province, has a site area of 80,945 square meters and a plot ratio of 1.8. 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 Keqiao. Sales began in May 2020 and the project was sought after by the market. The project will be delivered to owners in the first half of 2023.

Xialv Project consists of three separate parcels of land with a total cost of RMB511,036,354 and a total 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 judicial auction in 2017. One of the three parcels of land, Baoye Yunlixu, will be developed in two phases. The first phase has basically been sold out and the second phase is under presale.

Fengyue Shangzhu is located in Xiaoshan District, Hangzhou City. The project covers a site area of approximately 16,235 square meters, with a plot ratio of 2.0 and a total gross floor area of approximately 49,497 square meters. In May 2021, the Group acquired this land use right through tendering and bidding at a total consideration of RMB334,760,000. The project is expected to start the presale in the second half of 2022.

Xishan Yueyuan, located in Liandu District, Lishui City, Zhejiang Province, has a total site area of approximately 45,173 square meters and a total gross floor area of approximately 116,905 square meters. The project consists of high-rise, multi-storey, well decorated and rough buildings, some of which will be built by the one-hundred-year construction technology. A subsidiary of the Company acquired this land use right in August 2021 at a total consideration of RMB510,000,000. The project will start the presale in the second half of 2022.

Weicun Project, located in Liandu District, Lishui City, Zhejiang Province, has a site area of approximately 45,949 square meters and a total gross floor area of approximately 127,942 square meters. A subsidiary of the Company secured this parcel of land use right in June 2022 at a total consideration of RMB270,000,000. The project will be sold to the local community to whom their homes were being demolished and are to be resettled at specified prices. The project is currently under planning.

Baoye Phoenix One is located in Ningbo City, Zhejiang Province. The Group obtained it through a judicial auction in August 2020 at a total consideration of RMB332,952,898. The project has a total site area of 26,958 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. Currently only some remaining units are left for presale.

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 75,204 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 basically sold out, and will be delivered in the second half of 2022.

Baoye Qingchunli is located in Qingcun Town, Fengxian District, Shanghai. The project covers a site area of approximately 13,102 square meters with a gross floor area of 36,289 square meters and a plot ratio of 1.8. The Group obtained this parcel 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 is under presale.

Baoye Active Paradise, located in Baihe Town, Qingpu District, Shanghai, has a site area of 22,309 square meters and a plot ratio of 2.0. The Group acquired this parcel of land use right at a total consideration of RMB568,600,000 in August 2021. Adhering to the idea of "building a house like assembling a car", the project will be constructed as a industrialized prefabricated scientific building with fully imported production line of the global leading brand, German Vollert. Affected by the epidemic in Shanghai, the project will start the presale in the second half of 2022.

Xingyu Fu project, located in Xinzhou District, Wuhan City, Hubei Province, has a total site area of 129,528 square meters and a gross floor area of approximately 259,056 square metres. The Group acquired this parcel of land use right in December 2017 at a consideration of RMB780,000,000. The project is planned to be developed in three phases while Phase I had been delivered during the period and Phase II and III is still under planning.

Huangpi Phoenix City, located in Huangpi District, Wuhan City, Hubei Province, has a gross floor 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 Company 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 and is still under presale currently.

Mengcheng Shidai Green Garden is located in Mengcheng County, Anhui Province. A subsidiary of the Company obtained the land use right through public auction at a consideration of RMB190 million in April 2020. The project covers a site area of approximately 58,797 square meters, with a gross floor area of approximately 149,994 square meters. The project consists of high-rise, multi-storey residential and commercial buildings. Phase I has been on presale in the first half of 2021 and over half have been presold. The project is expected to be delivered in 2023.

Mengcheng Binhe Ivyuan, located in Mengcheng City, Anhui Province, has a site area of approximately 76,503 square meters. A subsidiary of the Company acquired this parcel of land use rights in May 2022 at a total consideration of RMB240,990,000. The project is under planning.

Yinghe Green Garden, located in Taihe County, Anhui Province, has a site area of approximately 63,545 square meters and a gross floor area of approximately 209,185 square meters. The project has a total of approximately 1,406 units of which approximately 1,000 units are resettlement houses. The project will be constructed in a prefabricated way and is expected to be delivered in 2023.

Jiangnanfu, located in Taihe County, Anhui Province has a site area of approximately 29,577 square meters and a gross floor area of approximately 68,654 square meters with 1.7 times plot ratio. In June 2020, a subsidiary of the Company acquired this land use right at a total consideration of RMB110,925,000 through public auction. The project has started the presale in January 2022.

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 and the second group have been delivered to owners. Only some remaining units are under presale. Currently, the third group is under presale.

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. This part has a total site area of approximately 54,220 square meters, and a gross floor area of approximately 129,665 square meters which were delivered at the end of 2020. The commercial segment with a site area of approximately 7,220 square meters is under construction. 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 site area of approximately 11,947 square meters on the west side of the project, which is currently under presale.

Zhengzhou Project, located in Jianshan Tourist Resort Zone, Xinmi City, Zhengzhou City, with convenient transportation, spectacular scenery and historical culture, has a site area of approximately 336,776 square meters. The Group acquired this land use right in November 2018 at a total consideration of RMB184,662,013. The project is under planning.

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 site area of approximately 46,888 square meters and a gross floor area of approximately 124,907 square meters at a total consideration of RMB113,500,000 through public auction. In April 2020, the Group acquired the land parcel C with a total site area of approximately 42,007 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 land parcel B had been delivered in 2021 while the land parcel A is expected to be delivered at the end of 2022. The land parcel C is under construction of which four buildings are under presale.

Sixian Xuefu Green Garden, located in Sixian Economic Development District, Suzhou City, Anhui Province, has a site area of approximately 111,955 square meters. The Group obtained this land use right in June 2021 through public auction at a total consideration of RMB300,000,000. The project is currently under planning.

Yeji Jiangnanfu project, located in Lu'an City, Anhui Province, has a total site area of 59,241 square meters and a gross floor area of approximately 98,451 square meters with a plot ratio of 1.2. A subsidiary of the Company obtained this land use right in December 2020 at a total consideration of RMB108,640,000, of which the Company is interested in 70%. The project will be built as a high-end community integrating characteristic villas, low-rise residences and bungalows and is currently under presale.

Qinglan Green Garden, located in Lixin County, Bozhou City, Anhui Province, has a site area of approximately 171,109 square meters with a plot ratio of 1.8. A subsidiary of the Company obtained this land use right in September 2021 at a total consideration of RMB565,000,000. The Company holds 51% interest of the project. At present, the project is under planning.

### **New Land Reserve**

<b>Time table</b>	<b>Location</b>	<b>Cost</b> <i>(RMB'000)</i>	<b>Land area</b> <i>(Sqms)</i>	<b>Equity</b>
May, 2022	Mengcheng County, Bozhou City, Anhui Province	240,990	76,503	100%
June, 2022	Lishui City, Zhejaing Province	270,000	45,949	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 2022, the revenue of the Group's building materials business was approximately RMB1,004,485,000, a slight decrease of approximately 5% compared to the same period last year; operating profit was approximately RMB60,344,000, which represents a significant increase of approximately 44% over the same period last year. The higher-margin building materials segment generated more revenue during the period, while the lower-margin segment generated less revenue.

The revenue break-down of the Group's building materials for the six months ended 30 June 2022 is analysed below:

	For the six months ended 30 June				Change
	2022		2021		
	<i>RMB'000</i>	<i>% the total</i>	<i>RMB'000</i>	<i>% the total</i>	
Curtain Wall	<b>497,664</b>	<b>51%</b>	617,822	59%	<b>-19%</b>
Furnishings and Interior Decorations	<b>163,786</b>	<b>16%</b>	128,987	12%	<b>27%</b>
Ready-mixed Concrete	<b>95,518</b>	<b>10%</b>	90,470	9%	<b>6%</b>
PC Assembly Plate	<b>125,162</b>	<b>12%</b>	100,097	10%	<b>25%</b>
Wooden Products and Fireproof Materials	<b>46,661</b>	<b>5%</b>	52,029	5%	<b>-10%</b>
Steel Structure	<b>21,908</b>	<b>2%</b>	15,804	1%	<b>39%</b>
Others	<b>53,786</b>	<b>4%</b>	47,071	4%	<b>14%</b>
Total	<b><u>1,004,485</u></b>	<b><u>100%</u></b>	<b><u>1,052,280</u></b>	<b><u>100%</u></b>	<b><u>-5%</u></b>

## **BUSINESS PROSPECT**

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

At present, due to the continuous negative impact brought by the domestic epidemic and the increase of uncertainties of the world development trend, China's economy faces multiple pressures such as shrinking demand, supply-side constraints and weakening expectations. In recent years, the construction industry has shown a trend of industry concentration. A group of construction enterprises represented by central-government enterprises, state-owned enterprises and regional leading enterprises have continuously consolidated their industry status through the expansion of the whole industry chain and enlarged their market proportion. In the future, it appears that the trend that the strong will remain stronger and the weak ones will be eliminated will remain unchanged. The Group has been committed to the construction business for nearly 50 years, and has always implemented the philosophy of "manufacture of properties is similar to manufacture of medicines, and there must be no defective or by-products". We have accumulated rich experiences in the field and established a good reputation in the industry. The construction industry will remain as an important pillar industry of the national economy. Although the two major market segments in rapid urbanization and large-scale infrastructure construction will face fundamental adjustments, however, the regional upgrade development, the quantitative to qualitative changes in the field of residential housing, and the up-keep and refurbishment of the hundreds of billions of real estate units after more than 40 years of urbanization, will call for a huge market demand for the construction industry. As a member of the industry, Baoye will still cultivate its internal advantages and improve its construction management ability to enhance its competitiveness.

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

After decades of explosive development of the real estate industry, some top-tier enterprises with high debt finally broke-out. The market will finally let those industry participants experience the bitterness of the "cold winter" in 2021. Due to the long industrial chain and large amount of capital involved in the real estate industry, the debt crisis and credit crisis of the leading real estate enterprises have not only brought a great negative impact on the upstream and downstream industry chains, but also brought great hits to the China's macro economy and financial market. Relying on the "three-in-one" business model of construction, industrialized building materials and property development, the Group realized the potential risks much earlier and always adhered to a prudent financial policy. We are very much delighted we can maintain a safe-keeping operation, despite the fact that we are in the business and will continue to face a muddy downturn in the market for a considerable longer time period.

Our attitude to the industry development trend remains optimistic, though the market is still facing longer-term adjustment. Market demand will exist in richer forms. The housing demand of young people in cities still exists although the housing prices are still high. The demand for new housing will gradually change to the demand for upgraded housing. The pursuit of “per capita residential area” will gradually change to the demand for healthy and comfortable housing. Only when the housing is used for living not for investment, the industry participants would think about how to construct it better. The property industry will return to normal instead of too hot or too cool. The Group has been committed to building a healthy, comfortable and energy-saving one-hundred housing for many years. In the future, the Group will still adhere to the prudent development policy and strive to enhance the technological value of construction of housing units by setting out the platform and standards for our one-hundred year housing technology system.

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

When a new industry emerges, its business logic and operation model will go through a process of repeated exploration and adjustment for a long time, and the same is true for the construction industrialization industry. As a member of the construction industry, the Group witnessed the common problems of the industry and the constraints of future development. So it has been exploring the construction industrialization business since the end of the last century. After more than 20 years of practice and continued development, we are pleased to note however that the market environment is becoming more and more mature, and more and more industry stakeholders such as the governments at different levels, enterprises, and market customers are researching and exploring a business model that can be replicated and adopted. After continuous attempts and efforts, although we will inevitably pay some “tuition fees”, we deeply seed in our belief that the direction going forward of the industry will continue to strive. In the past two decades, one can easily make profit by land prices appreciation, upon which have inhibited the need for bringing the construction industrialization industry into the next level. When the external environment changes, when housing returns its nature from investment to living, the market will pay more attention to the housing quality, which will reinforce industry stakeholders to actively explore and apply more efficient and high-quality construction methodologies. It will be a new opportunity for the construction industrialization industry. The Group will also integrate and rationalize our rich experiences accumulated in the past and position a comparatively advance business model. It is a summary of the past and the beginning of a new chapter.

## **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 37.4% (corresponding period of 2021: 52.9%) of the total borrowings. In addition, approximately 54.9% of the total borrowings (corresponding period of 2021: 42.6%) were guaranteed by the Company; approximately 1.7% of the total borrowings (corresponding period of 2021: 1.6%) 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 2022, the untapped banking facilities of the Group amount to approximately RMB7 billion.

Details of which are analysed below:

	<b>As at 30 June</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cash and cash equivalents	<b>7,635,885</b>	7,566,836
Term deposits with initial term of over three months	<b>404,608</b>	233,138
Restricted bank deposits	<b>1,152,552</b>	1,930,103
Less: total borrowings	<b>(3,675,526)</b>	(4,861,433)
Net cash	<b>5,517,519</b>	4,868,644
Total equity attributable to the owners of the Company	<b>11,007,295</b>	10,403,555
Net cash ratio	<b>50%</b>	47%

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

### **Other Key Financial Ratios**

	<b>As at 30 June</b>	
	<b>2022</b>	2021
Return on equity	<b>2.20%</b>	3.22%
Net assets value per share (RMB yuan)	<b>20.40</b>	18.56
Current ratio	<b>1.16</b>	1.23

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 RMB241,796,000, a decrease of approximately 28% over the same period of the previous year, and the return on shareholders' equity decreased by approximately 32% over the same period last year. As at 30 June, 2022, the Group was still in a net cash position with a net cash ratio of 50%.

## Cash Flow Analysis

		For the six months ended	
		30 June	
		2022	2021
	Note	RMB'000	RMB'000
Net cash inflow from operating activities	(i)	594,703	9,528
Net cash inflow from investing activities	(ii)	125,301	556,772
Net cash outflow from financing activities	(iii)	(912,119)	(259,105)
Net (decrease)/increase in cash and cash equivalents		(192,115)	307,195

### Note:

- (i) During the period under review, the net cash inflow from operating activities was approximately RMB594,703,000, an increase of approximately RMB585,175,000 compared to the same period last year, which was mainly due to decrease of trade receivables and increase of contract liabilities during the period.
- (ii) During the period under review, the net cash inflow from investing activities was approximately RMB125,301,000, an increase of cash outflow of approximately RMB431,471,000 compared to the net cash inflow of approximately RMB556,772,000 the same period last year, which was mainly attributed by the purchase of property, plant and equipment during the period.
- (iii) During the period under review, the net cash outflow from financing activities was approximately RMB912,119,000, which was mainly attributed by the repayment of advances from non-controlling interests and bank borrowings during the period.

## Administrative Expenses

The Group's administrative expenses amounted to approximately RMB336,303,000 for the six months ended 30 June 2022 as compared to approximately RMB359,496,000 for the same period last year, representing a decrease of 6%. The decrease in administrative expenses was mainly due to the decrease of consulting fee and interest discount arising from the acceptance bills.

## Finance Costs – Net

For the six months ended 30 June 2022, the Group had registered net finance costs of approximately RMB9,324,000 (corresponding period of 2021: RMB61,459,000), representing a decrease of approximately RMB52,135,000 compare to the same period last year, mainly due to the decrease of interest on bank borrowings during the period.

## Income Tax Expenses

For the six months ended 30 June 2022, income tax expenses comprised of PRC corporate income tax of RMB89,744,000 (corresponding period of 2021:RMB158,438,000) and PRC land appreciation tax of RMB46,635,000 (corresponding period of 2021: RMB32,091,000), representing a decrease of approximately RMB54,150,000, primarily due to lower profit recognized during the period compared to that of the same period last year.

## Financial Guarantees

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	<b>2,287,871</b>	2,330,144

The Group had provided 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 2022, right-of-use for land, property, plant and equipment, investment properties, restricted bank deposits and properties under development with an aggregate carrying value of approximately RMB5,336,166,000 (as at 31 December 2021: RMB6,217,914,000) 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 2022 (corresponding period of 2021: Nil).

## Connected Transactions

During the period under review, the Group had no connected transaction that would require disclosure under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## Contingent Liabilities

As at 30 June 2022, 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, the Group did not have material acquisitions and disposals of subsidiaries, joint ventures and associates.

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

Since the special resolution regarding the authorization to the Board to buyback H shares of the Company since the 2021 Annual General Meeting and class meetings, the Company repurchased a total of 20,988,000 of its H Shares, representing approximately 10.00% and 3.74% of the total number of H Shares and total number of issued shares of the Company respectively, for a total consideration of HK\$89,730,960 (excluding trading fee). Details of the repurchase of H Shares were as shown in the next day disclosure returns for the period from 29 December 2021 to 26 April 2022 published on the website of the Stock Exchange.

Particulars of the shares buy-back are as follows:

Month	Number of shares buy-back	Purchase price		Aggregate Consideration (before expenses) HKD	Status
		Highest (HKD/Share)	Lowest (HKD/Share)		
December 2021	234,000	3.80	3.80	889,200	cancelled
January 2022	2,698,000	4.45	3.82	11,236,580	cancelled
April 2022	18,056,000	4.36	3.70	77,605,180	cancelled

## Litigation and Arbitration

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

## **Entrusted Deposits and Overdue Time Deposits**

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

## **Human Resources**

As at 30 June 2022, the Group had a total of approximately 6,663 permanent employees (as at 30 June 2021: 6,535). Also, there were approximately 67,690 indirectly employed construction site workers (as at 30 June 2021: 77,576). These workers were not directly employed by the Group. For the six months ended 30 June 2022, the total employee benefit expenses amounted to approximately RMB2,448,200,000 (the corresponding period in 2021: RMB2,892,330,000). Employee benefit expenses include salaries, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Group is continuously working on devising, revising and implementing a more effective employee incentive plan and training plan to encourage superior performance of employees to fit into the Group's long term development plan.

## **Corporate Governance Practices**

As at the date of this announcement, the Company has complied with all the code provisions as set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "CG Code"), except for deviation of provisions of the CG Code as mentioned below:

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

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

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

The Board and the Supervisory Committee have adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct for securities transactions by the Directors and Supervisors. Specific enquiries have been made by the Company and all the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2022. If any related employee possesses information which may be considered as sensitive to the Company’s share price and such information is not public, such employee has to comply with the written guidance, which is as strict as the Model Code.

### **Audit Committee**

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) 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 2022 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 2022 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 HKICPA.

### **Publication of Interim Report**

The full text of the Group’s 2022 Interim Report for the six months ended 30 June 2022 will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.baoyegroup.com](http://www.baoyegroup.com)) respectively in due course.

## **Appreciation**

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

By order of the Board  
**Baoye Group Company Limited\***  
**Pang Baogen**  
*Chairman*

Zhejiang, the People's Republic of China  
26 August 2022

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