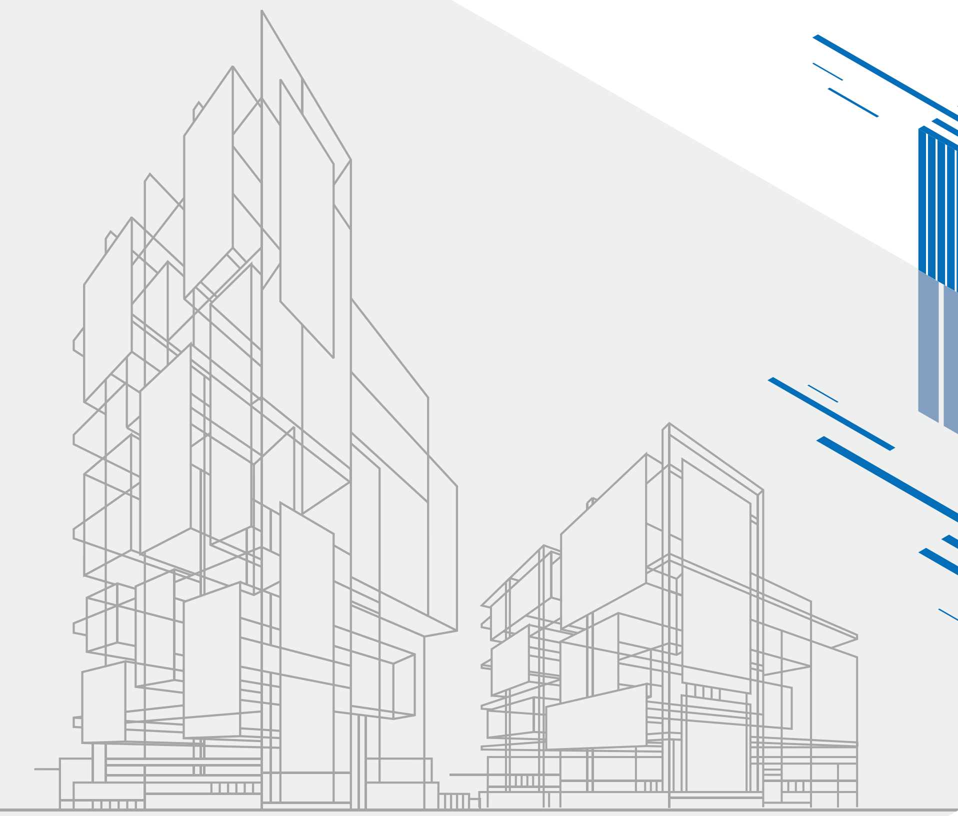
BAOYE GROUP COMPANY LIMITED
寶業集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China)
(於中華人民共和國註冊成立的股份有限公司)

Stock Code 股票代號：**2355**



2020
Annual Report 年報

OUR MISSION
我們的使命

「從建造到製造」

帶領中國建築業走向產業化

From
Construction to
Manufacturing

leads construction industry towards industrialisation in China.

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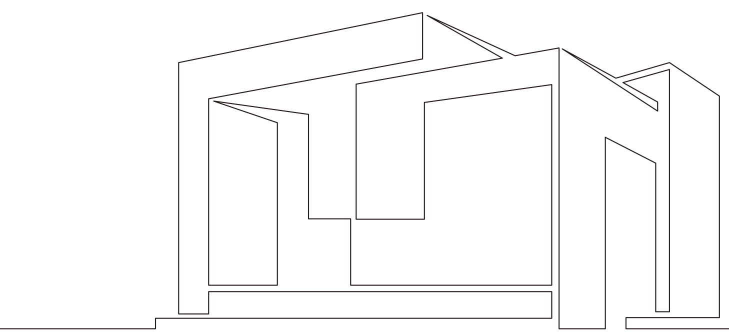

CORPORATE PROFILE

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”
- Wuhan “Xinyu Fu”
- Mengcheng “Binhu Green Garden”
- Mengcheng “Shidai Green Garden”
- Jieshou “Fuxing Jiayuan”
- Taihe “Baoye City Green Garden”
- Taihe “Yinhe Green Garden”
- Taihe “Jiangnan Fu”
- Kaifeng “Baoye Longhu Yucheng”
- Lu’an “Baoye Junyue Green Garden”
- Zhengzhou “Zhengzhou Project”
- Sixian “Sizhou Green Garden”

BUILDING MATERIALS BUSINESS

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

BUSINESS NETWORK

CONSTRUCTION BUSINESS

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

PROPERTY DEVELOPMENT

- Zhejiang
- Shanghai
- Hubei
- Anhui
- Henan

BUILDING MATERIALS BUSINESS

- Zhejiang
- Anhui
- Hubei
- Shanghai
- Jiangsu

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

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

LEGAL ADVISERS

As to Hong Kong Law

Kwok Yih & Chan
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Bank of America Tower
12 Harcourt Road
Central, Hong Kong

As to PRC Law

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Suite 1008, China World Tower 2
China World Trade Centre
No.1 Jianguomenwai Avenue
Beijing, 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

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

HEADQUARTER ADDRESS

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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)

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Fax: 86 575 84118792
E-mail: irbaoye@baoyegroup.com

WEBSITE

www.baoyegroup.com

FINANCIAL HIGHLIGHTS

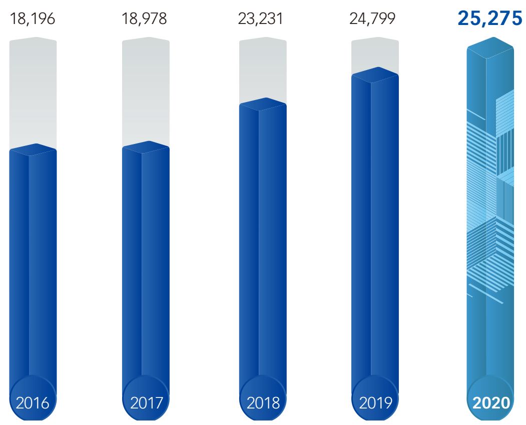
	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**25,275,453**	24,799,413	23,230,614	18,978,200	18,196,134
Gross Profit	**2,077,176**	2,036,807	1,972,579	1,281,138	1,164,444
Net Profit	**831,811**	912,007	914,913	606,735	534,410
Profit Attributable to Owners of the Company	**794,084**	856,691	874,175	608,895	526,933
Earnings per Share (RMB)	**1.41**	1.52	1.53	1.03	0.86
Assets and Liabilities					
Total Assets	**42,174,951**	34,817,739	29,562,001	27,963,441	22,708,309
Total Liabilities	**31,819,605**	25,233,834	20,994,461	20,467,077	15,710,609
Total Equity	**10,355,346**	9,583,905	8,567,540	7,496,364	6,997,700

KEY FINANCIAL RATIOS

	As at 31 December	
	2020	2019
Return on Equity of the Company	**8.0%**	9.3%
Net Assets Value per Share (RMB yuan)	**17.74**	16.33
Net Cash Ratio	**44.5%**	18.8%
Current Ratio	**1.23**	1.25
Cash Inflow from Operating Activities (RMB'000)	**1,876,779**	71,398

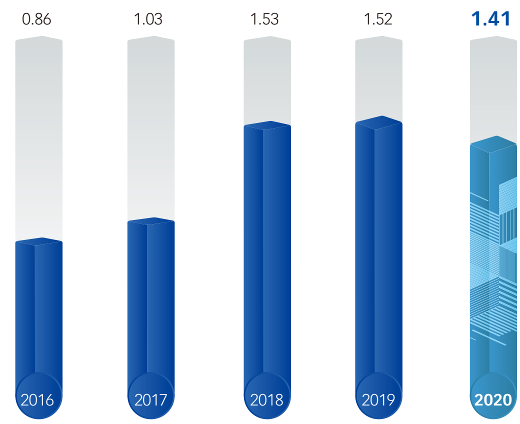
REVENUE

(RMB million)



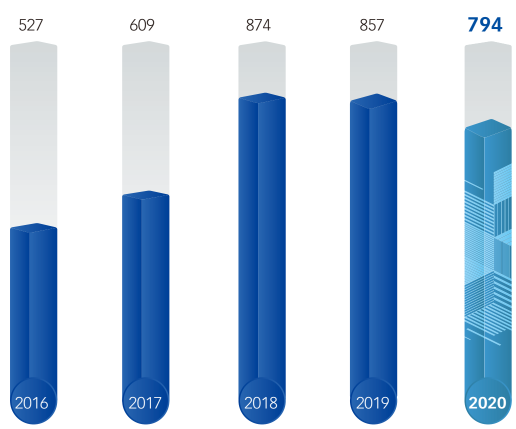
EARNINGS PER SHARE

(RMB yuan)



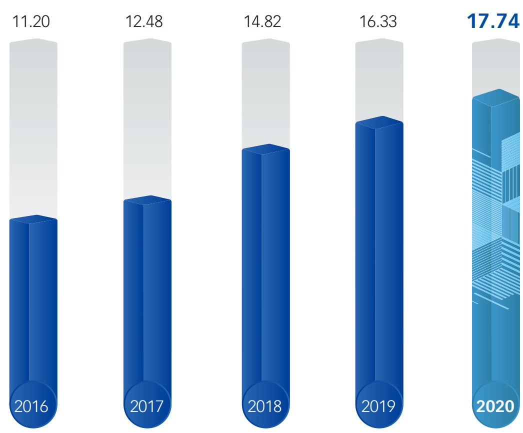
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(RMB million)



NETS ASSETS VALUE PER SHARE

(RMB yuan)



CHAIRMAN'S STATEMENT

To the Shareholders:

On behalf of the Board, I am pleased to report the audited financial results of Baoye Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2020. For the year ended 31 December 2020, the Group achieved audited consolidated revenue of approximately RMB25,275,453,000, representing an increase of approximately 1.9% as compared to last year; profit attributable to owners of the Company amounted to approximately RMB794,084,000, representing a decrease of approximately 7.3% as compared to last year; earnings per share was RMB1.41, representing a decrease of approximately 7.2% as compared to last year. The Board proposed that no final dividends be declared for the year ended 31 December 2020. Details of operating and financial performance of the Group will be discussed in the "Management Discussion and Analysis" section of this annual report.

2020 has passed, each and every one of us witnessed the past, and at the same time, we are also creating a new chapter of history. The coronavirus pneumonia, with its strong toxicity, rapid spreading and difficulty in prevention and control, has become the most severe global public health challenges faced by the mankind ever since the Second World War. In order to fight the epidemic and prevent the spread-out of the virus, countries and cities around the globe are facing shut downs and interruptions. In this context, the Communist Party of China executed a top-level down control mechanism across the country to circumvent the spread-out, by coordinating domestic and international environments, and had timely and appropriately adjusted the focus of prevention and control measures according to the situation of the epidemic, and led the Chinese people to beat the deceases, all of which prevented and controlled the epidemic and afforded the speedy recovery of economy.

Baoye actively participated in the battle fighting against the COVID-19. Since the beginning of the epidemic, facing with a shortage of medical supplies, we have procured and sourced anti-epidemic supplies worldwide to support medical workers in frontline, and Baoye employees have organised and rushed a thousand-miles helping to build the Wuhan Temporary Hospital. With the easing of the epidemic, Baoye planned to resume work and production in advance on the premise of preventing and controlling the epidemic, and rejuvenated the economic life that has been suspended by the epidemic as soon as possible. In the post-epidemic era, we managed how to give full play to the advantages of the Company and implemented our own business model, coordinated the upstream and downstream of the industrial chains to fully capitalised the modern corporate mission of Chinese companies to perform their corporate citizen roles and duties accurately and systematically. Though, we still don't know when the epidemic will end, we are pleased to see that with the widespread use of vaccines worldwide. It is anticipated that our social and public life is gradually resuming, and the globe once being cut off by the epidemic will eventually flush again and spark with new brilliance.

In November 2020, at the 3rd China International Import Expo held in Shanghai ("CIIE"), Baoye presented a self-innovated system of international construction industrialization that integrates independent research and development technology and advanced technology from Japan and Germany, with "energy saving, energy creation, energy storage" technology and global supply chain and became the highlight of this CIIE. This was the first time that the CIIE focus on displaying worldwide advanced technological systems and high-quality products in the fields of green and low-carbon manufacturing, transportation, energy resource, and construction under the background of China's announcement that it will reach its "carbon-emission" peak in 2030 and attain its "carbon-emission neutral" commitment by 2060. Baoye was honored to undertake this glorious mission. The two sets of integrated industrialized building prototypes displayed on site were highly affirmed by leaders, experts and professional buyers.

The Central Politburo Standing Committee meeting held on May 14, 2020 pointed out: China must deepen supply-side structural reforms, take full advantage of our country's super-large-scale market and potential domestic demand, and build a new development pattern with the domestic big cycle as the main body and the domestic and international double cycles mutually promoting each other. 2021 is the first year of the "14th Five-Year Plan" and the beginning of the new journey of building a modern socialist country in an all-round way. At the 2020 Central Economic Work Conference, projects such as enhancing the independent controllability of the industrial chain supply chain, insisting on expanding domestic demand, solving the outstanding problems of housing in big cities, doing a good job in "carbon-emission peak" and "carbon-emission neutral" are listed as the eight key tasks in 2021. The series of macro policies have provided a brand new development opportunity for the coordinated development of the three major businesses of the Group.

Chinese old saying goes, "When the tide in an ocean gets rough, hero spirit will shine." Since Baoye Group was listed on the main board of the Hong Kong Stock Exchange in June 2003, we have always adhered to the "three-in-one" business model of construction, real estate development, and construction industrialization, and have always insisted on strengthening and improving our main business. As a pillar industry of the national economy, the construction industry has made outstanding contributions to China's economic development, improvement of people's lives, and employment. Especially since the outbreak of the epidemic, the construction industry is one of the industries which first resumed work and positive growth. At the same time, we should also be soberly aware that the construction industry is still a labor-intensive industry, with extensive management, low production efficiency, insufficient technological innovation capabilities, and high resource consumption, which cannot meet the requirements of high-quality development. As a member of the construction industry who has been deeply involved in the construction industry for nearly 50 years, we are grateful for the development opportunities given to us by this era, and we are well aware of our mission. Focusing on the guidance of the Ministry of Housing and Urban-Rural Development on the development of the construction industry, Baoye firmly grasps the new round of technological revolution and historical opportunities, attaches great importance to the transformative impact of digital technology on engineering construction, and implements the 2035 development strategy of China Construction with intelligent construction as the core, to promote the upgrading of the construction industry from a large one to a strong one. In 2020, the Jiangxi Hangxin Building project undertaken by Baoye won the first batch of China Construction Project Luban Award (National Quality Project) from 2020 to 2021, becoming

the country's first industrialized construction and EPC general contracting project that wins the Luban Award. Baoye takes full advantage of the integration of the whole industrial chain of Baoye's construction industrialization, that is, innovatively applies the "building industrialization" technology in the four major aspects of building structure, interior decoration, exterior decoration, and electromechanical, so as to achieve the application of BIM technology, digital "smart construction site" management and building quality monitoring sensor technology, et cetera, in the whole process of construction, and integrated with the world's advanced intelligent building management platform at the same time. The project was completed in high quality with the combination of technology and craftsman's spirit. Again, the award of honor is an re-affirmation of the construction quality and business model of Baoye by the competent authorities of the industry, and it is also a guide for the future development of the industry.

For China's real estate industry, heavy assets, high debt, high leverage, and low valuations have been the business model for many years. However, people have neglected consumer's inspiration for high-quality housing. In the future, the state's position in the real estate industry that "houses are used for living, not for speculation" will remain unchanged; the different level of urban development and population structure of different cities will not change; the way that policies made according different cities will not change. In recent years, with more restrictive conditions and the rapid increase in land prices and land transfer thresholds, the layout of those real estate enterprises whose market value beyond hundreds of billions has turned to small towns and rural markets, posing a great challenge to the living environment of small and medium-sized real estate enterprises. When the era of housing shortage is over and the real estate industry shifts from scale expansion to quality upgrade, how to survive and develop in such an enlarge environment is a question we always need to think about. In 2020, Baoye Xinqiao Fengqing project was rated as the first century-lasting residential demonstration project in Zhejiang by the China Real Estate Association. Baoye has always been devoted to leading a higher dimension comfort life by providing customers with high-comfort, low-energy consumption, and natural residential products through advanced integration of 80,000 parts and construction industrialization technology. We believe that "the housing changes, the society changes".

SOCIAL RESPONSIBILITY

The Group has published its first environmental, social and governance report since 2016. The Group is dedicated to preserve its longstanding operational philosophy in providing and disclosing transparent information that would bring our business partners in sync with our corporate direction. Fulfilling social responsibilities is the requirement of the times for the enterprise as a social citizen, also is the due meaning of the enterprise's operating values.

The sudden outbreak of the epidemic has changed people's original way of life and work, and we have more time to re-examine our living space. The Group has always been committed to applying building industrialization technology to the entire life cycle consisting of building design, construction, and post-operations, striving to create energy-saving, green and low-energy high-tech houses to reduce energy consumption during construction and maintenance operations, and promoting the transformation of construction methods in the industry.

In our daily work, we regard employees as the most important value assets of the Company, and echo the importance in the improvement of employee's benefits and career development. We know that the development of the company and the cultivation of talents are inseparable. Since the establishment of the "Baoye School" in 2015, the company has been providing training courses for employees from multiple perspectives such as technology, management, humanities, corporate history and culture every year.

In the future, the Group will continue to adhere to this said value principle to sustain longer term success and development in its core businesses. At the same time, the Group will diligently fulfill its social responsibility obligations and will care stakeholders' interest in our community. The Group has taken various activities and steps towards its responsibility for environment and society, details of which are shown on the "Environmental, Social and Governance Report 2020" published at the websites of the Company and the Stock Exchange on the same day of this report.

APPRECIATION

Last but not least, I, on behalf of the Board, would like to extend my sincerest thanks to our shareholders, investors, customers, vendors, banks, and other intermediaries for their continuous patronage and support; special thanks to our loyal employees for their hard work and dedication to achieve success, and together, we look forward to another rewarding years for our shareholders in the years to come.

Mr. Pang Baogen
Chairman of the Board
26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

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

In 2020, affected by the new epidemic, the domestic and foreign economies faced severe challenges. Under the leadership of the board of directors, the Company's operating performance was basically the same as last year. In addition to the prevention and control of the epidemic for the Group's employees, the construction business sector of the Group solicited anti-epidemic materials, donated money and materials, and assisted in the construction of Wuhan Fangcang Hospital and resettlement sites in the most difficult period. When the epidemic was basically under control, the project departments were quickly and orderly organized to resume work and production, and construction efficiency was improved to ensure the smooth progress of project construction. In the real estate development business, the Group applied relatively abundant internal cash resources to increase its land reserves by approximately 230,000 square meters during the year. In the context of the country's policy of "no speculation in housing" in the real estate industry, the regional market segmentation in this respect has become more apparent. The Group's property development business is mainly concentrated in the Yangtze River Delta and

Hubei whose economy more developed and active. In 2020, the Group's real estate development business also seized the opportunity of the market rebound after the epidemic. During the year, major real estate projects were accelerated and the sales position was good, which lays a solid foundation for housing delivery of sales units in the next two to three years. As for the building materials business segment, especially some building materials divisions located in Hubei, has been greatly affected by the epidemic in actual operating time, and there has been a certain degree of decline in operating performance during the year. In the future, the Group will continue to increase a certain amount of land reserves in the market that the Group is familiar with and the economy is active to ensure the sustainable development of the real estate development business. At the same time, the Group will continue to explore the market-oriented application of building industrialization to help achievement of the national targets of "carbon-emission neutral" and "carbon-emission peak". Based on the above considerations, the board of directors recommends not to distribute the final dividend of 2020.

Revenue

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

Operating profit

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

Operating profit rate

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

CONSTRUCTION BUSINESS

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

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

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

Project Name	Award
Jiangxi Hangxin Edifice	Luban Award
Xinggang Edifice Project	National Quality Project
Yanhu Shanzhuang Primary School in Hefei High-tech District	Mount Huang Cup
Wuhan • Baoye Center	High-quality Construction Projects of Hubei Province
Science and Technology Exchange Center of No. 701 Research Institute of China Shipbuilding Industry Corporation	High-quality Construction Projects of Hubei Province
Wuhan Xincheng District • Puyuemendi Project	High-quality Construction Projects of Hubei Province
Hongbo • Shiji Shoufu Project	High-quality Construction Projects of Hubei Province
Hangzhou Normal University Cangqian Campus	Qianjiang Cup

Project Name	Award
Relocation Project of Wenzhou Medical University Renji College	Qianjiang Cup
China Textile City CBD Commercial Center Project	Qianjiang Cup
Xingang Edifice Project	High-quality Construction Projects of Henan Province

Industrialized Architecture Wins the Luban Award for the First Time

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

Property Development Business

Property Sales

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

For the year ended 31 December 2020, revenue of property sales was mainly derived from the following projects, details of which are set out below:

Project	Location	Average Selling Price *(RMB/Sqm)*	Floor Areas Sold *(Sqms)*	Revenue *(RMB'000)*
Baoye Ido	Shanghai	37,941	21,754	825,368
Baoye City Green Garden	Taihe	6,684	52,493	350,890
Baoye Xinqiao Fengqin	Shaoxing	14,342	20,310	291,287
Baoye Junyue Green Garden	Lu'an	5,488	21,990	120,691

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

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

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

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a "province-rank" resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilisation flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from the downtown of Shaoxing City, it is known as the "natural treasure in the heart of a city". Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres and a planned gross floor area of approximately 650,000 square metres for the development of deluxe villas, semi-detached villas and town houses, all fully equipped with supporting facilities, such as a golf club, a five-star resort hotel, two leisure parks, a sport park, a shopping arcade, kindergarten and a central lakeside garden. Phase I still a few spare houses for sale. Phase II of approximately 300,000 square meters is currently under planning. The presale of the first phase of terrace house has begun and has been satisfactory.

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

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

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

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

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

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

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

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

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

Baoye Taihe City Green Garden is located in Taihe County, Anhui Province with a total gross floor area of 420,000 square metres, comprising of unique and niche residential units, elegance shopping arcade, an international bilingual kindergarten and high-end swimming pool facilities. Personalized and scientific design in dividing motor vehicle flow and pedestrian flow enable residents to enjoy quality and comfortable living. The project is close to an eco-friendly park with rich community facilities, which sets the new generation in the City. The project is developed in five phases, and the first four phases have been delivered to owners. In January 2019, the Company added a land reserve of approximately 9,662 square meters adjacent to the west side of the project at a total consideration of RMB25.94 million, which will be developed as the fifth phase of the project with plot ratio less than 2.2. The fifth phase is expected to be delivered in 2021.

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

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

Baoye Longhu Yucheng is located in a prime area of Eastern New City, Kaifeng County, Henan Province. It has a total site area of approximately 648,000 square metres and a planned gross floor area of approximately 972,000 square metres. After completion, it will become the city's new business centre and leisure centre. The project is divided into 5 major groups for development. The first group, Lanjing Garden, with nearly 170,000 square meters has been delivered to owners. The second group, Yujing Garden, with about 140,000 square meters has completed construction of which the high-rise part has been basically sold out, and the remaining bungalows, stacked villas, and townhouses are on sale. The third group, Guanjing Garden, has about 240,000 square meters, of which 110,000 square meters have been roof-sealed and basically sold out. The remaining part is under construction and presale.

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

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

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

New Land Reserve

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

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

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

Building Materials Business

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

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

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

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

BUSINESS PROSPECT

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

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

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

Property development business contributes substantial profit for the Group

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

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

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

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

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

FINANCIAL REVIEW

Financial Policies

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

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

Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People's Bank of China. Such excellent credit rating will benefit the Group's financing activities and allow the Group to continue to enjoy the prime rate offered by the banks. During the year, the Group maintained part of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 50.9% of the total borrowings (2019: 51.7%). In addition, approximately 39.9% of the total borrowings (2019: 45.7%) were guaranteed by the Company; approximately 3.9% of the total borrowings (2019: 1.3%) were jointly guaranteed by the Company, non-controlling interests and others. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

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

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

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

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

Other Key Financial Ratios

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

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

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

Current ratio = current assets/current liabilities

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

Cash Flow Analysis

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

Note:

i During the year, the net cash inflow from operating activities was approximately RMB1,876,779,000, an increase of approximately RMB1,805,381,000 compared to the net cash inflow of approximately RMB71,398,000 of last year, which was primarily attributable to the good property sales and the substantial increase in collections during the year.

ii During the year, the net cash outflow from investing activities was approximately RMB344,120,000, a decrease of approximately RMB515,146,000 compared to the net cash outflow of approximately RMB859,266,000 of last year, which was mainly due to the decrease of expenditure in properties, plant and equipment for the construction industrialization bases.

iii During the year, the net cash inflow from financing activities is approximately RMB235,770,000, a decrease of approximately RMB2,358,814,000 compared to the net cash inflow of approximately RMB2,594,584,000 of last year, which was mainly due to the increase of payback of bank borrowings because of the sufficient cash flow of the Group in 2020.

Other Gains-Net

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

Selling and Marketing Costs

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

Administrative Expenses

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

Finance Costs

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

Income Tax Expense

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

Land Appreciation Tax

The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial Reporting and Accounting Standards in accounting for such tax provision, and has also prepaid the land appreciation taxes based on the sale values by applying assessable rates determined by the respective local tax authorities where the properties are located. For the year ended 31 December 2020, the Group's land appreciation tax amounted to approximately RMB141,498,000.

Financial Guarantee

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

The Group had issued performance guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by the Group. The banks will release such guarantees upon the delivery of the building ownership certificates of related properties to the banks as securities.

Details of the Charges on the Group's Assets

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

Capital Expenditure Plan

The Group adopts a prudent approach in capital expenditure spending to secure cash resources on safety basis. The Group will pay more attention to market changes and will increase its investments in acquisition of land and relevant businesses at appropriate times with reasonable costs.

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

CORPORATE GOVERNANCE REPORT

The Group is committed to establishing an efficient, orderly, transparent and steady corporate governance mechanism. Since its listing, the Company strives to comply with the Company Law of the PRC ("Company Law"), the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchanges of Hong Kong Limited ("the Stock Exchange"), the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"), where appropriate, adopted the recommended best practices set out in 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.

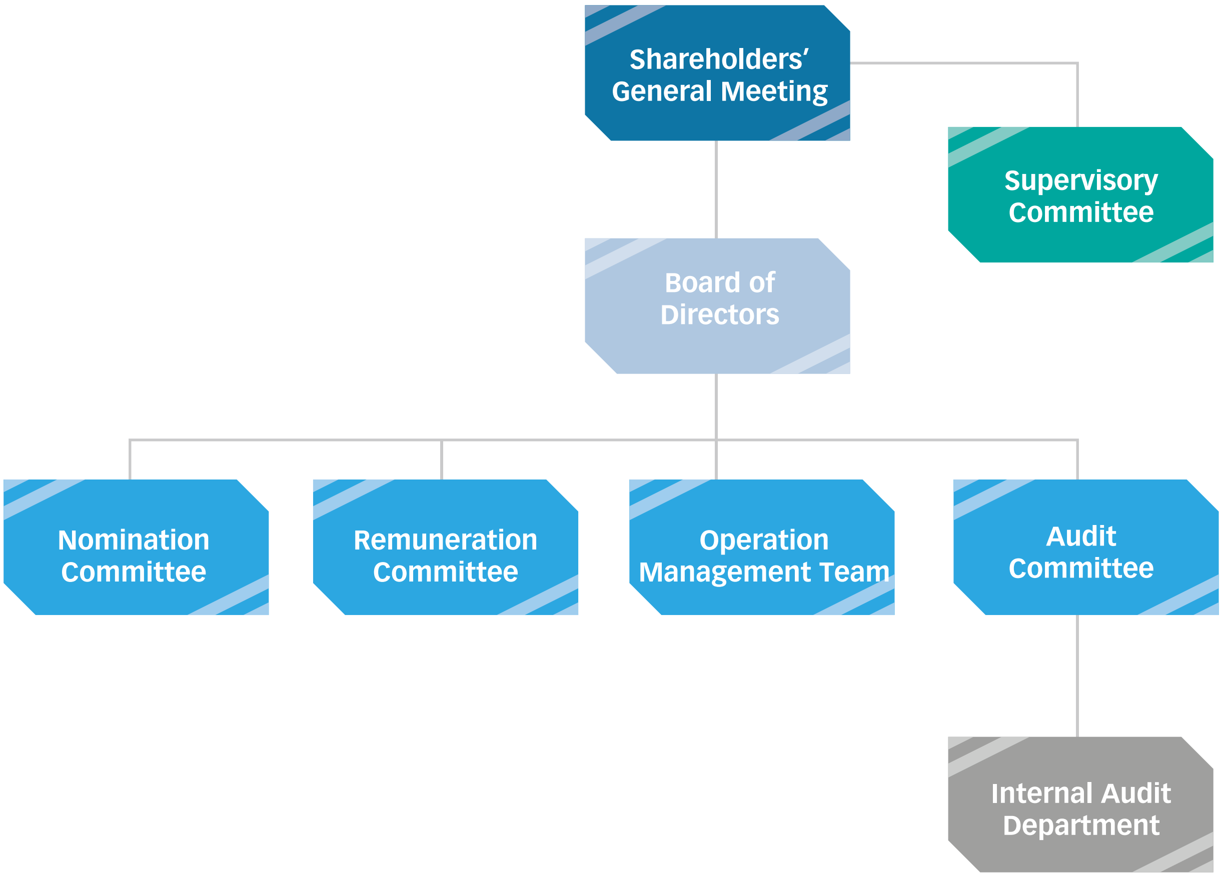
CORPORATE GOVERNANCE CODE

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

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

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

CORPORATE GOVERNANCE STRUCTURE



Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2020.

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 year of 2020. If any related employees possess information which may be considered as sensitive to the Company's share price and such information is not public, such employee has to comply with the written guidelines, which is as strict as the Model Code.

BOARD OF DIRECTORS (THE "DIRECTOR")

Duties of the Board of the Company (the "Board")

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

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

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advices. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the Group and its Shareholders. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgment on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct. The Board members have access to timely information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions. Independent professional advice can be sought to discharge their duties at the Group's expense upon their request. No such advice was sought during 2020.

The Directors may have access to the advice and services of the company secretary of the Company with a view to ensure that the board procedures, and all applicable rules and regulations, are followed. In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. Having made specific enquiries with each Director, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2020.

All members of the Board had entered into three-year service contracts with the Company respectively. According to the memorandum and articles of association of the Company, all Directors will retire by rotation in every three years at the annual general meeting of the Company, but are eligible for re-election.

Besides the roles of chairman and chief executive officer was performed by Mr.Pang Baogen, there is no other relationship(including financial, business, family or other material/relevant relationship(s))among the Directors. Brief biographical details of the Directors are set out on pages 50 to 52 of the annual report.

BOARD DIVERSITY

The Company adopted the Board Diversity Policy with periodical objectives. The nomination committee evaluates the balance and blend of skills, experience and diversity of the Board. Selection of candidates will be based on a range of diversed perspectives, including but not limited to age, gender, cultural and educational background, professional and industry experience, skills, knowledge and other qualities essential to the Company's business and merit and contribution that the selected candidates will bring to the Board. The Company sees that increasing diversity at the Board level would enhance the Board's effectiveness and corporate governance.

The remunerations of each of the Directors of the Company are disclosed on an individual basis, details of which are set out in note 39 to the consolidated financial statements.

The band of remuneration of senior management personal and related number of members of senior management are as follows:

	2020 Number of Individuals	2019 Number of individuals
Below RMB650,000	4	4

Since its listing, the Company maintained liability insurance for its Directors, Supervisors and senior management each year.

BOARD MEETING

The Board held a total of four Board meetings during the year, discussed and approved the 2019 annual report, 2020 interim report and the work report of internal audit department; appointed PricewaterhouseCoopers as the independent auditor of the Company. The attendance of each of the Directors is set out in the table below. The relevant senior management and members of the Supervisory committee of the Group had all attended the Board meetings held during the year. Directors received the notice of Board meeting at least 14 days before the date on which Board meeting was held and all of the Directors are offered opportunities to suggest any issue for discussion included in meeting agenda. All the minutes of Board meetings are filed and accessible to all Directors at any time.

ATTENDANCE OF BOARD MEETING IN 2020

Name	Attendance/ Number of Board meetings
Executive Directors	
Mr. Pang Baogen	4/4
Mr. Gao Lin	4/4
Mr. Gao Jiming	4/4
Mr. Gao Jun	4/4
Mr. Jin Jixiang	4/4
Non-executive Director	
Mr. Fung Ching, Simon	4/4
Independent Non-executive Directors	
Mr. Chan, Dennis Yin Ming	4/4
Mr. Li Wangrong	4/4
Ms. Liang Jing	4/4

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company's number of independent non-executive Directors has complied with the Rule of 3.10(1) of the Listing Rules. 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.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation annually from each of the independent non-executive Directors in respect of their independence. The Company considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

DIRECTORS' TRAINING AND DEVELOPMENT

Pursuant to the Appendix 14 to the Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The directors' training is a continuous project. The Company invited different professional teams regularly to provide trainings for the Directors about relevant regulations and rules, marketing environment and/or the newest changes of the industry development. During the year ended 31 December 2020, the directors, supervisors and senior management have developed their knowledge of directors' duties and risks. Besides, some Directors have also attended lessons in relation to Directors' roles, functions and duties, as well as strengthen their professional development by reading some related information or attending professional training sessions on their own. The Directors confirmed that they have complied with the Code Provision A.6.5 of the CG Code.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirements and applicable accounting standards. Pursuant to Code Provision C.1.1 of the Corporate Governance Code, management would provide such explanation and information to the Board as will enable the Board to make an informal assessment of the financial and other information put before the Board for approval. The Directors confirm that, to the best of their knowledge, information and relief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the year ended 31 December 2020, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and to ensure the Group establish and maintain appropriate and effective risk management and internal control systems on an ongoing basis. The Group's risk management and internal control systems aim to manage, but not eliminate, risks of failing to achieve business objectives, and make reasonable, but not absolute, guarantee that there is no material misstatement or loss only.

The Group's risk management and internal control systems comprises, among others, the relevant financial, operational and compliance controls, internal circulation and handling of information. The Group clearly defines the authorizations and responsibilities of the Board, the Audit Committee, the management, the internal audit function and other units to ensure the establishment, implementation and effective assessment of risk management and internal control systems.

In order to enhance our risk management and internal control, a guiding team under the leadership of the Board and comprising the Audit Committee, administrative management and external and internal audit teams for risk management and internal control has been established to carry out relevant works. A three-line-defense system for risk management and internal control has been put in place: namely frontline defense in business operation, functional centralised defense in internal control and regulatory departments, and the independent oversight defense in the internal audit department. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time. An internal audit function is established to review and evaluate the Group's risk management and internal control systems and report directly to the Board and members of the audit committee (the "Audit Committee").

Internal monitoring and self-evaluation have been conducted in connection with the three main businesses and four regional areas identified by the Group. Remedies for loopholes and inadequacies as reviewed during internal control and identified in independent audit have been proposed, which are followed up by the risk management department of the Group regularly in order to ensure the relevant remedial actions are performed on a timely basis. Review findings have been reported to the Audit Committee for further follow-up actions.

The Board performs the duty of reviewing the interim and annual results with the Audit Committee, the management of the Group, the internal audit function and external independent auditors in accordance with the protocol, and conducts a review and assessment of the effectiveness of the Group's risk management and internal control systems and procedures at least annually. The internal audit department of the Group carried out independent assessment on the risk management and internal control systems of the Group. The Board believes that the existing risk management and internal control systems are adequate and effective for the year ended 31 December 2020. The Board also reviewed the resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training programmes and budget and was satisfied with their adequacy.

The Board with the concurrence of the Audit Committee reviews the risks to the Company and acts upon any comments from the internal audit function and external auditors. Key risks, control measures and management actions are continually identified, reviewed and monitored by the management as part of risk management systems. The management has established a risk identification and management process. The risk assessment report is reported to the Audit Committee and the Board on a regular basis to highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigatory controls supporting the residual risks. The risk management systems of the Group are continually being monitored and refined by the Audit Committee and the Board. The Board has received assurance from the CEO and the management of the Group regarding the effectiveness of the risk management systems of the Group.

AUDITOR'S REMUNERATION

The remuneration of the auditors in the year 2020 is set out as follows:

	2020		2019	
	Audit fees	**Other fees**	Audit fees	Other fees
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
PricewaterhouseCoopers	**3,950**	**400**	3,950	120

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, Nomination Committee and Remuneration Committee perform their specific duties in accordance with their respective written terms of reference.

AUDIT COMMITTEE

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 terms of reference of the Company's audit committee are formulated in accordance with the Appendix 14 to the Listing Rules and the recommendations in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review and supervise the Group's financial reporting procedures and internal audit scheme formulated by the internal audit department of the Company, review the reports submitted by the internal audit department and to ensure that the management has fulfilled its duties and the Group's strategic objectives to maintain an effective risk management and internal control systems. It is also responsible for reviewing affairs related to the appointment, resignation and replacement of independent auditors as well as assessing the auditors' performance and whether their audit fees are reasonable, and providing relevant recommendations to the Board. The audit committee has established a whistle blowing policy and system. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange. The audit committee of the Company held two meetings during the year of 2020.

The major tasks accomplished during the year include:

– reviewing the annual and interim results announcement, reports and financial statements of the Group;

– reviewing and providing recommendations on the accounting policies adopted by the Group and the accounting practice issues;

– monitoring the work of the internal audit department of the Group and reviewing the reports submitted by it;

– advising on the material transactions of the Group and providing recommendations on related risks to management;

– reviewing the audit fees of auditors and recommending the fees for approval by the Board; and

– reviewing the risk management and internal control systems of the Group.

The Audit Committee also met with the external auditor annually in the absence of management to discuss matters relating to any Issues arising from audit and any other matters the external auditor may wish to raise.

ATTENDANCE OF THE MEETING OF THE AUDIT COMMITTEE IN 2020

Name	Attendance/ Number of Audit Committee meetings
Mr. Chan, Dennis Yin Ming	2/2
Mr. Li Wangrong	2/2
Mr. Fung Ching, Simon	2/2

REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive Directors, namely, Mr. Chan, Dennis Yin Ming and 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. 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. The terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange. The remuneration committee of the Company held one meeting during the year of 2020.

The major tasks accomplished during the year include:

- reviewing the remuneration policy, the terms of service contracts; and
- assessing the performance of all executive directors, supervisors and senior managers.

ATTENDANCE OF THE MEETING OF THE REMUNERATION COMMITTEE IN 2020

Name	Attendance/ Number of Remuneration Committee meeting
Mr. Chan, Dennis Yin Ming	1/1
Ms. Liang Jing	1/1
Mr. Pang Baogen	1/1

NOMINATION COMMITTEE

The nomination committee comprises two independent non-executive Directors, namely, Mr. Li Wangrong and Ms. LiangJing, 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 makes 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 independent non-executive directors and providing recommendations to the Board of Directors on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and supervisors. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange. The nomination committee held one meeting in 2020.

The major tasks accomplished during the year include:

- reviewing the structure, number of members and composition of the Board and the Supervisory Committee, and providing the Board with recommendations on any intended change; and
- identifying appropriate candidates for the position of directors and supervisors, and nominating such persons to be directors and supervisors;
- assessing the independence of the independent non-executive directors.
- providing recommendations on the plan of the appointment or re-appointment and succession of directors and supervisors to the Board.

ATTENDANCE OF THE MEETING OF THE NOMINATION COMMITTEE IN 2020

Name	Attendance/ Number of Nomination Committee meeting
Mr. Li Wangrong	1/1
Ms. Liang Jing	1/1
Mr. Gao Jiming	1/1

The Board adopted a "Procedure and criteria for nomination of Directors", the details of which are set out below:

Procedure for nomination of Directors

- When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director);
- Prepare a description of the role and capabilities required for the particular vacancy;
- Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors;
- Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview;
- Conduct verification on information provided by the candidate; and
- Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

Criteria for nomination of Directors

Common criteria for all Directors

- Character and integrity;
- The willingness to assume broad fiduciary responsibility;
- Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs;
- Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company;
- Significant business or public experience relevant and beneficial to the Board and the Company;
- Breadth of knowledge about issues affecting the Company;

– Ability to objectively analyse complex business problems and exercise sound business judgment;

– Ability and willingness to contribute special competencies to Board activities; and

– Fit with the Company's culture.

Criteria applicable to Independent Non-executive Directors

– Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings;

– Accomplishments of the candidate in his/her field;

– Outstanding professional and personal reputation; and

– The candidate's ability to meet the independence criteria for directors established in the Listing Rules.

DIRECTORS RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors of the Company acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2020, which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibilities of the external auditors on the financial statements are set out in the Independent Auditor's Report on pages 65 to 71 of the annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions with the following duties:

– to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;

– to review and monitor the training and continuous professional development of Directors;

– to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual applicable to Directors and employees;

– to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

– such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

COMPANY SECRETARY

Mr. Chow Chan Lum has been a member of the Institute of Chartered Accountants of Scotland and is also a member of the Hong Kong Institute of Certified Public Accountants, which fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an external employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. During the year, the company secretary confirms that he has attained not less than 15 hours of relevant professional training. Mr.Pang Baogen, Chairman of the Board, is the primary contact person of the company.

SHAREHOLDERS' MEETING

The shareholders' meeting of the Company not only makes important and key decisions, but also serves as a direct communication platform for its Directors, management and shareholders. In this respect, notice of shareholders' meeting stating the particulars of the matters to be discussed, procedures of voting by poll, shareholders' voting rights, will be circulated to shareholders 20 clear business days before the date of shareholders' meeting according to the Listing Rules. During the period under review, the Group hold one annual general meeting, one domestic shareholders' meeting and one H shareholders' meeting, the details as follows:

ATTENDANCE OF SHAREHOLDERS' MEETING AND CLASS MEETINGS IN 2020

Name	Attendance/ Number of shareholders' meeting and class meetings
Executive Directors	
Mr. Pang Baogen	3/3
Mr. Gao Lin	3/3
Mr. Gao Jiming	3/3
Mr. Gao Jun	3/3
Mr. Jin Jixiang	3/3
Non-executive Director	
Mr. Fung Ching, Simon	3/3
Independent Non-executive Directors	
Mr. Chan, Dennis Yin Ming	3/3
Mr. Li Wangrong	3/3
Ms. Liang Jing	3/3

SHAREHOLDERS' RIGHTS

In accordance with the Company's Article of Association 87, two or more shareholders holding in aggregate 10% (including 10%) or more of the shares carrying the voting right at the meeting sought to be held shall have the right to require the board to convene an extraordinary general meeting or a class meeting in stating the objectives of the meeting. The board shall as soon as possible proceed to convene the extraordinary general meeting or a class meeting after receiving the requisition. If the board does not serve the notice of the convening a meeting after 30 days of receiving the written requests aforesaid, such shareholders may convene such a meeting within four months from the date of receipt of the requisition by the board. Any reasonable expenses incurred by the requisitions by reason of the failure of the board to duly convene a meeting shall be repaid to the shareholders by the Company.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Subject to applicable laws and regulations, including the Company Law of the People's Republic of China, the Listing Rules and the articles of association of the Company as amended from time to time, the Company may in general meeting by ordinary resolution elect any person to be a director of the Company either to fill a casual vacancy or as an additional director. A shareholder of the Company can deposit a written notice at the correspondence address in Hong Kong of the Company for the attention of the company secretary for proposing a person for election as director. The written notice must state the full name of the person proposed for election as director and include such person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and the written notice signed by the candidate proposed to be elected as director indicating his/her willingness to be elected. The period for lodgment of such a written notice shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting for election of directors and ending no later than seven days prior to the date of such meeting.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the secretary of The Company, may also make enquiries with the Board at the general meetings of the Company.

The correspondence address of the Company in Hong Kong is as follows:

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

The headquarter address of the Company is as follows:

No.1687 Guazhu East Road, Keqiao District
Shaoxing City, Zhejiang Province
The PRC

DIVIDEND POLICY

The Board has approved and adopted a dividend policy on 7 January 2019 (the "Dividend Policy").

It is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors before declaring or recommending any dividends:

a. financial results;

b. cash flow situation;

c. business conditions and strategies;

d. future operations and earnings;

e. capital requirements and expenditure plans;

f. interests of shareholders;

g. any restrictions on payment of dividends; and

h. any other factors that the Board may consider relevant.

The shareholders of the Company may not expect any dividends under the following circumstances:

a. during the growth phase of the Group or during significant expansion or undertaking of any acquisitions or joint ventures requiring higher allocation of capital;

b. whenever the Company proposes or plans to utilize surplus cash to repurchase the shares of the Company; or

c. inadequacy of profits or if the Company incurs losses.

The Dividend Policy and the declaration and/or payment of future dividends under it are subject to the Board's continuing determination that the Dividend Policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders, and are in compliance with all applicable laws and regulations and the Company's Memorandum and Articles of Association. The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

CONTROLS MECHANISM

Supervisory Committee

The Supervisory Committee is the standing supervisory organisation of the Company, which is responsible for supervising the functions of the Board and its members and the senior management such as the general manager and deputy general managers. The Supervisory Committee comprises five supervisors, who will serve for a term of three years and are eligible for re-election. The number of members and composition of the Supervisory Committee of the Company comply with the requirements of the relevant laws and regulations.

The Supervisory Committee comprises Mr. Kong Xiangquan (chairman of the Supervisory Committee), Mr. Wang Jianguo and Mr. Xugang, and independent Supervisors, Mr. Zhang Xindao and Mr. Xiao Jianmu. The Supervisory Committee is accountable to the shareholders meeting and exercises the following authority in accordance with the applicable laws.

– examining the financial statements of the Company;

– supervising the directors, general manager, deputy general managers and other senior management in the performance of their duties to prevent them from breaching the laws, administrative regulations or the Company's articles of association;

- requiring the directors, general manager, deputy general managers and other senior management to rectify behaviors which will prejudice the interests of the Company;
- verifying the financial information, such as financial reports and profit appropriation proposals, which intended to be submitted to the shareholders' meeting by the Board and appointing certified public accountants and auditors in the name of the Company to assist in re-auditing whenever the committee is in doubt with these information;
- proposing to convene extraordinary general meeting; and
- negotiating with or initiating litigations against directors on behalf of the Company.

The Supervisory Committee convened two meetings during the year and all of the Supervisors attended the meetings. The Supervisory Committee has also attended the board meetings held in the year of 2020. The Supervisory Committee has also adopted the Model Code in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Supervisors. Having made specific enquiries with each Supervisor, all Supervisors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2020.

INTERNAL AUDIT

The Company has established an internal audit department. The internal audit department is independent from the finance department or other management departments. It reports directly to the Board and audit committee. The primary duties of the internal audit department are to monitor and review the effectiveness of the operation of the financial, operational and compliance control as well as risk management systems of the Company and its subsidiaries. During the year, it has reviewed, monitored, and submitted reports on review and approval system for use of capital, financial budgeting system, system governing signing of contracts and bidding budget; and final settlement and control system according to the internal audit plans.

INVESTOR RELATIONS

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

SUBSTANTIAL SHAREHOLDERS OF H SHARES

As at 31 December 2020, 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 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	13.83%	5.21%
Zhu Yicai (Note 1)	29,304,000	13.83%	5.21%

Note:

1. Mr.Zhu Yicai, the spouse of Ms.Wu Xueqin, is deemed to be interested in 29,304,000 H Shares.

References were made to the disclosures of interests made on the Stock Exchange's website on 29 May 2017. Pursuant to Section 336 of the SFO, the Shareholders are required to file disclosure of interests forms when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Stock Exchange unless a specific threshold is passed, therefore a substantial Shareholder's latest shareholding in the Company may be different from the shareholding filed with the Company and the Stock Exchange.

IMPORTANT FINANCIAL DATES

Events	Date
Issued Interim Results Announcement of 2020	On 24 August 2020
Issued Annual Results Announcement of 2020	On 26 March 2021
Closure of register of member of the Company	On 12 May 2021 to 11 June 2021 (both days inclusive)
Annual General Meeting of 2020	On 11 June 2021
Class meeting for holders of H Shares	On 11 June 2021
Class meeting for holders of Domestic Shares	On 11 June 2021

The annual general meeting of the company ("AGM") was held at 2nd Floor, Baoye Group, No.1687 Guazhu East Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC on 16 June 2020. All the resolutions were passed by the shareholders in voting. The details of the resolutions and results please refer to the results of AGM on 16 June 2020. All the Directors attended this AGM.

CHANGE OF REGISTERED ADDRESS NAME

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

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

ARTICLES OF ASSOCIATION

There were no changes to the articles of association during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Pang Baogen, born in 1957, is the founder, chairman of the Board and chief executive officer of the Group. Mr. Pang is one of the experts who has received the special award of the State Council and is a member of the expert committee for the China Construction Reform and Development under the Ministry of Housing and Urban-Rural Development of the People's Republic of China. He holds a professor level senior engineer qualification. He is well respected and recognised in the construction industry in China and has received awards including Model Worker of National Construction System, Advanced Individual of National Sustainable Communities, Outstanding Entrepreneur in Zhejiang Province, Youth Scientific and Technical Worker with Outstanding Contributions to Zhejiang Province, Entrepreneur with Outstanding Contributions to the Construction Industry in Zhejiang Province in the "Eleventh Five-year" Period, Award of Commercialization of Science in Zhejiang Province as well as Zhejiang Charity Award and Zhejiang Charity Star. Mr. Pang has extensive experience in the construction technology field and of enterprise management. He actively promotes independence and innovation, and takes on national topics such as "risk-prevention in big projects", "transforming the construction industry with information technology" and "the system research of one-hundred-year construction in China" and the "Analysis of Comprehensive Efficiency of Housing Industrialization". At the same time, he guides the Group in undergoing various revolutions in management controls and operation mechanism. He also explores and executes the "three-in-one" business model and the contractual management model. Besides, Mr. Pang is also the vice-chairman of the Construction Companies Committee in China, vice-chairman of Housing Industrialization Technology Innovation Association in China, the vice-chairman of Construction Association and Agricultural Technology Promotion Foundation in Zhejiang Province, representative of the 13th People's Representative Congress of Zhejiang Province and the director of the Institute of Construction and Housing Industrialisation of National Construction Engineering Technology Research Center.

Mr. Gao Lin, born in 1970, is an executive Director and the director of the operation management committee of the Company, a director and the general manager of Baoye Hubei Construction Group Company Limited. Mr. Gao holds a professor level senior engineer qualification and is a graduate of the Fudan EMBA Programme. He is also a senior professional manager of the construction industry in China. He was awarded a celebrity in the national important infrastructure construction and a celebrity of the 9th (2010) Hubei Economic Year, the National Excellent Construction Entrepreneur, the National Outstanding Entrepreneur, apprentice of Luban, the Top 10 Outstanding Entrepreneurs of Construction Industry in Zhejiang Province, Outstanding Entrepreneur in Hubei Province, Outstanding builders of socialism with Chinese characteristics in Hubei Province, Model Worker of Hubei Province, Outstanding businessman in Hubei Province, Outstanding Youth in Hubei Province, Talent for Economic Development of Shaoxing City, Model Worker of Shaoxing City. He is currently the vice chairman of the Federation of Industry and Commerce in Hubei Province, the vice chairman of the Hubei Enterprises Union, and vice-chairman of Construction Industry Association in Hubei, the vice chairman of Wuhan Construction Industry Association, Member of the Twelfth Committee of the CPPCC of Hubei Province, and representative of the 15th People's Representative Congress of Wuchang District, Wuhan City. He joined the Group in 1987.

Mr. Gao Jiming, born in 1962, is an executive Director of the Company and the chairman and general manager of Hubei Construction Real Estate Development Company, a subsidiary of Baoye Huebei Construction Group Company Limited. Mr. Gao is a graduate of the China University of Geosciences, majoring in civil engineering and holds a professor level senior engineer qualification. He was awarded outstanding entrepreneur in Hubei province. He joined the Group in 1978.

Mr. Gao Jun, born in 1972, is an executive Director and a member of the operation management committee of the Company, and the general manager of Baoye Group Anhui Company Limited. Mr. Gao graduated from the China University of Geosciences, majoring in civil engineering, and holds a professor level senior engineer qualification. Mr. Gao is currently a representative of the 16th People's Representative Congress of Hefei City, a representative of the 11th Party Congress of Hefei City, the chairman of Zhejiang Enterprises Union in Anhui,vice chairman of the Anhui Journalist Union and the Hefei Industrial and Commercial Chamber, The chairman of high-end entrepreneurial talent association in Xinzhan District, he was awarded the Model Worker of Anhui province. He joined the Group in 1989.

Mr. Jin Jixiang, born in 1967, is an executive Director and a member of the operation management committee of the Company, and a director and the general manager of Zhejiang Baoye Construction Group Company Limited. Mr. Jin graduated from the China University of Geosciences, majoring in civil engineering and holds a professor level senior engineer qualification. Mr Jin is currently the president of Zhejiang Engineering Construction Quality Management Association, executive chairman of Shaoxing City Construction Committee, vice-chairman of Hangzhou Construction Committee, member of the Chinese People's Political Consultative Conference in Keqiao and deputy of people's congress of Yangxunqiao Town. He was awarded the National Excellent Decoration Entrepreneur, National Excellent Construction Entrepreneur, An advanced worker in National construction industry, a senior professional manager of the construction industry in China, Outstanding Entrepreneur in Zhejiang Province, Top 10 Outstanding Entrepreneurs of Construction in Zhejiang, Model Worker of Shaoxing City, Talent with great contribution to the development of Shaoxing City and the Advanced Productivity Worker of Shaoxing City. He has participated in the "5.12" 2008 Wenchuan Earthquake Relief Assistance and Construction Work and was honored as a "Third Class". Mr. Jin joined the Group in 1985.

Non-executive Directors

Mr. Fung Ching, Simon, born in 1969, is an non-executive Director and a member of audit committee of the Company and is currently the chief financial officer of Logan Property Holdings Company Limited, a company listed on The Stock Exchange. He is also an independent non-executive director of Hainan Meilan International Airport Company Limited and China Logistics Property Holdings Co.,Ltd, both companies are listed on The Stock Exchange. Mr. Fung graduated from the Queensland University of Technology in Australia with a Bachelor's degree, majoring in accountancy. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the CPA Australia. Mr. Fung served as the chief financial officer and Company secretary of Greentown China Holdings Limited between 2010 and 2019, and served as the chief financial officer and secretary to the board of Directors of Baoye Group between 2004 and 2010. He worked in Pricewaterhousecoopers between 1994 and 2004. Mr. Fung has over 17 years of experience in managing finance and accounting functions, mergers and acquisitions, fund raising and investor relations for various listed companies in Hong Kong.

Independent Non-executive Directors

Mr. Chan, Dennis Yin Ming, born in 1954, a Canadian living in Hong Kong, is an independent non-executive Director, chairman of audit committee and remuneration committee of the Company. Mr. Chan is a graduate of the John Molson School of Business of Concordia University, Canada and has obtained a professional diploma in accountancy from the McGill University, Canada. Mr. Chan is an associate member of the Chartered Institute of Management Accountants, United Kingdom (ACMA), an associate member of the Institute of Chartered Secretaries and Administrators, United Kingdom (ACIS), a member of Chartered Institute of Purchasing and Supply, United Kingdom (MCIPS) and a member of Canadian Institute of Chartered Accountants (CA). Mr. Chan is currently director and chief executive officer of Standard Corporate Advisory Limited. Prior to that, Mr. Chan had been director and chief financial officer of various listed companies in Hong Kong, Singapore and the United States of America. Mr. Chan has more than 40 years of experience in public accountancy, management consultancy, manufacturing, distribution and retails, telecommunications, logistics and financial services.

Mr. Li Wangrong, born in 1963, is an independent non-executive Director, Chairman of nomination Committee and a member of audit committee of the company. Mr.Li graduated from the Law School of Zhejiang University and holds a master degree. Mr. Li is currently the principal partner of Zhejiang Dagong & Partners and the first-grade solicitor. Mr. Li is also the independent director of Sanbian Sci-Tech Co., Ltd., a listed company in Shenzhen Stock Exchange. Mr. Li has rich experience in arbitration, property development, contract law, civil and commercial cases.

Ms. Liang Jing, born in 1953, is an independent non-executive Director, a member of remuneration committee and nomination Committee of the company. Mr.Liang graduated from Jiangxi Metallurgy College, majoring in mechanical engineering and holds senior level engineer qualification. Ms. Liang worked for Shaoxing Lizhu Iron Mining Company, Shaoxing Property Development Company and Shaoxing Tianying Tax Agent Company. Ms. Liang has retired from her profession.

SUPERVISORS

Mr. Kong Xiangquan, born in 1958, a qualified senior engineer, was the general manager of the Zhejiang Baoye Communications Construction Company Limited. He joined the Group in 1975.

Mr. Wang Jianguo, born in 1966, holds a senior engineer qualification, is currently the chairman and general manager of Zhejiang Baoye Curtain Wall Decoration Company Limited. He is also a deputy director and member of the curtain wall committee of China Construction Decoration Association and vice chairman of Zhejiang Construction Decoration Association. He was awarded the National Outstanding Entrepreneur of Construction Decoration Industry. Mr. Wang joined the Group in 1986.

Mr. Xu Gang, born in 1976, is a deputy general manager of Zhejiang Baoye Construction Group Company Limited. Mr. Xu graduated from the China University of Geosciences, majoring in civil engineering, and holds a First Grade Registered Architect and senior engineer qualification. Mr. Xu was awarded the Top 10 Young Entrepreneurs of Construction Industry in Zhejiang, Model Worker of the Construction Industry in Shaoxing City, the Outstanding Entrepreneurs of Construction Industry in Suzhou City. Mr. Xu joined the Group in 1998.

INDEPENDENT SUPERVISORS

Mr. Zhang Xindao, born in 1944, is an independent Supervisor of the Company. Mr. Zhang graduated from the East-South University and holds a senior engineer qualification. He was preciously the deputy director of Shaoxing City Electric Power Bureau, general manager of Shaoxing Daming Industry Company, chairman of Shaoxing Daming Electricity Company, chairman of Zhuji Bafang Electricity Company and the general manager of Shaoxing Tianyi Green Power Company Limited.

Mr. Xiao Jianmu, born in 1967, graduated from Zhejiang Forestry College, holds the qualifications of economist, Certified Public Accountant, Certified Tax Agent, Certified Public Valuer, Real Estate Appraiser and was awarded Zhejiang Excellent Certified Public Accountant. Mr. Xiao served in construction department of Shaoxing Huaxia Company and Shaoxing Gongxiao Building Company Limited. Mr. Xiao is now the vice director of Zhejiang Zhongtian Accountant Firm.

SENIOR MANAGEMENT

Mr. Wang Rongbiao, born in 1968, is a member of the operation management committee of the company and the chairman and the general manager of Zhejiang Baoye Building Materials Industrialisation Company Limited. Mr. Wang graduated from Wuhan Science and Technology University, majoring in civil engineering, and holds a senior engineer qualification. Mr. Wang joined the Group in 1986.

Mr. Lou Zhonghua, born in 1968, is a member of the operation management committee of the Company. Mr. Lou graduated from the China University of Geosciences, majoring in civil engineering and holds a professor level senior engineer qualification. He is currently the vice-chairman of the Real Estate Association of Shaoxing City and Vice-chairman of the Real Estate Association of Keqiao District, Shaoxing City. Mr. Lou joined the Group in 1986.

Mr. Sun Guofan, born in 1962, is the chief economist of the Company. Mr. Sun graduated from the Hangzhou College of Commerce, majoring in finance and accounting, and is qualified as an accountant and senior economist in the PRC. He joined the Group in 1988.

Mr. Jiang Xiaohua, born in 1970, is the chief accountant of the Company. Mr. Jiang graduated from Jiangxi University of Finance and Economics in 1993, majoring in finance and taxation. He graduated from Zhejiang University and obtained the master degree in 2003. Mr. Jiang holds a professor level senior accountant certification and was awarded as one of the National Accounting Leading Talents. He was previously the Inspection officer of Finance and Taxation Bureau of Shaoxing County and the Chief Financial Officer of Tianlong Group Company Limited. Mr. Jiang joined the Group in 2004.

DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of construction service, development and sale of properties and manufacture and distribution of industrialised building materials. The activities of the Company's principal subsidiaries are set out in note 9 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the sections of Financial Highlight for the proceeding five years, Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report 2020 which will be published on the same date, and the paragraphs below.

FINANCIAL POSITIONS AND RESULTS

The financial positions of the Group and the Company as at 31 December 2020 are set out in the balance sheets of the consolidated financial statements prepared in accordance with HKFRS on pages 72 to 73.

The results of the Group for the year ended 31 December 2020 prepared in accordance with HKFRS are set out in the consolidated income statement on page 74.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6 of the annual report.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

According to the relevant laws and regulations in the PRC, the reserves of the Company available for distribution to the equity holders amounted to RMB850,975,000 as at 31 December 2020 (2019: RMB813,755,000).

DIVIDENDS

At the board meeting held on 26 March 2021, the Board proposed no final dividend be declared for the year ended 31 December 2020 (2019: nil).

SEGMENT INFORMATION

The Group is principally engaged in the following three main operation segments:

- Construction – provision of construction service
- Property development – development and sale of properties
- Building materials – manufacture and distribution of industrialised building materials

The segment information for the year ended 31 December 2020 is set out in note 5 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's aggregate revenue and purchases respectively.

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, own more than 5% interests of the Company's share capital) had any interest in the above major suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in Property, plant and equipment of the Group during the year are set out in note 6 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions a total of approximately RMB7,825,000 (2019: RMB5,492,000).

BORROWINGS

As at 31 December 2020, details of borrowings of the Group are set in the note 23 to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors of the Company for 2020 are as follows:

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

Supervisors
Mr. Kong Xiangquan *(Chairman of the Supervisory Committee)*
Mr. Wang Jianguo
Mr.Xu Gang

Independent Supervisors
Mr. Zhang Xindao
Mr. Xiao Jianmu

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the year, there's no change of Directors, Supervisors and senior management.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 50 to 53 of the annual report.

REMUNERATION OF DIRECTORS

The remuneration of the Directors of the Company is disclosed on an individual named basis in note 39 to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

During the year, details of the remuneration of the Directors, supervisors and chief executive, together with those of the five highest paid individuals of the Group are set out in note 39 to the consolidated financial statements of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has obtained written confirmations from all independent non-executive Directors concerning their independence in accordance with Rule 3.13 of the Listing Rules. The Board is in the opinion that the existing independent non-executive Directors are independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year.

INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

At the end of the reporting period, 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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("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 for Securities Transaction by Directors of Listed Issuers, were as follows:

Directors/Supervisors/ Senior Management	Relevant Entity	Capacity	Number of Domestic Shares (Long position)	Number of H Shares (Long position)	Approximate Percentage of the Total Registered Capital of the Relevant Entity
Directors					
Mr. Pang Baogen	The Company	Individual	193,753,054		34.43%
Mr. Gao Jiming	The Company	Individual	12,059,254	–	2.14%
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	–	0.43%
Supervisors					
Mr. Wang Jianguo	The Company	Individual	5,250,290	–	0.93%
Mr. Wang Jianguo	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	42,700,001		16.94%
Mr. Xu Gang	The Company	Individual	17,907,116	–	3.18%
Senior Management					
Mr. Lou Zhonghua	The Company	Individual	4,533,172	–	0.81%
Mr. Wang Rongbiao	The Company	Individual	2,638,026	–	0.47%

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

At the 2019 annual general meeting held on 16 June 2020, all appointed Directors and Supervisors signed their respective new service contracts or appointment letters with the Company, the term of which will expire at the conclusion of the annual general meeting of 2022 of the Company. The Company has not signed any service contract, with any Director or Supervisor, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which the Directors or the Supervisors of the Company have material interests, whether directly or indirectly, subsisted at any time during the year (excluding Directors' and Supervisors' service contracts mentioned above).

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year did the Company or any 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.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group under the Listing Rules.

DETAILS OF SHARE OFFERING AND PLACING

	Initial Public Offering	The 1st placement of H shares	The 2nd placement of H shares	The 3rd placement of H shares
Class of shares listed	H share	H share	H share	H share
Listing place	Main Board of HKEx.	Main Board of HKEx.	Main Board of HKEx.	Main Board of HKEx.
Offering/placing price	HK$1.43 per H share	HK$4.05 per H share	HK$4.85 per H share	HK$10.88 per H share
Listing date	30 June 2003	21 January 2005	14 December 2005	2 February 2007
Number of issued H shares	180,684,000	36,136,800	43,364,160	52,036,992

FUNDS RAISED AND DIVIDEND

Year	Funds Raised (HKD)	Dividend (RMB/share)	Total Dividend (RMB)	Full-Year Earnings (RMB)	Approximate Percentage of Full-year Earnings (%)
2003	258,370,000	0.0635	33,746,000	112,409,000	30%
2004	/	0.1436	81,502,000	275,082,000	30%
2005	356,660,000	0.12	73,311,000	304,226,000	24%
2006	/	0.07	46,407,000	474,032,000	10%
2007	566,160,000	0.07	46,407,000	225,795,000	21%
2008	/	0.08	53,037,000	150,044,000	35%
2009	/	0.13	86,185,000	502,239,000	17%
2010	/	0.16	106,074,240	527,875,000	20%
2011	/	0.21	139,222,000	710,196,000	20%
2012	/	0.21	139,222,000	752,256,000	18.5%
2013	/	0.10	66,296,401	663,312,000	10%
2014	/	0.10	63,174,401	648,702,000	9.7%
2015	/	0.10	61,237,053	563,655,000	10.9%
2016	/	/	/	526,933.000	/
2017	/	/	/	608,895,000	/
2018	/	/	/	874,175,000	/
2019	/	/	/	856,691,000	/
2020	/	/	/	794,084,000	/
Total	1,181,190,000		995,821,095		

SHARE CAPITAL

At the date of the reporting period, there was a total share capital of 562,664,053 shares of the Company in issue, which includes:

	Number of shares	Approximate percentage of total share capital
Domestic Shares	350,742,053	62.34%
H Shares	211,922,000	37.66%
Total	562,664,053	100%

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CONNECTED TRANSACTIONS

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

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company and related laws of Hong Kong and the People's Republic of China (the "PRC"), which would oblige the Company to offer new shares on pro-rata basis to the existing shareholders of the Company.

LITIGATION AND ARBITRATION

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

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

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

HUMAN RESOURCES

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

CODE ON CORPORATE GOVERNANCE PRACTICES AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period, except that the role of the chief executive officer of the Group has been assumed by Mr. Pang Baogen, Chairman of the Board. For further details, please refer to the Corporate Governance Report as set out in this annual report.

According to the Listing Rules, an issuer must disclose Environmental, Social and Governance ("ESG") information on an annual basis. The board is responsible for evaluating and determining the issuer's ESG-related risks and has overall responsibility for the report. In April 2021, the "Environmental, Social and Governance Report 2020" will be published at the stock Exchange and the company's website.

AUDITORS

The re-appointment of PricewaterhouseCoopers (the "PwC Hong Kong") as the Company's international auditor and the re-appointment of PricewaterhouseCoopers Zhongtian LLP (the "PwC ZT") as the Company's PRC statutory auditor were approved at the annual general meeting held on 16 June 2020.

The Company will propose two resolutions at the coming annual general meeting to re-appoint the PwC Hong Kong as the Company's international auditor and to re-appoint the PwC ZT as the Company's PRC statutory auditor.

CLOSURE OF REGISTER OF MEMBERS

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

APPRECIATION

The Board would like to take this opportunity to express its 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
26 March, 2021

SUPERVISORS' REPORT

To the Shareholders,

In the year 2020, the Supervisory Committee of Baoye Group Company Limited (the "Supervisory Committee"), in compliance with the provision of the Company Law, the Listing Rules and the articles of association of the Company, under their fiduciary duties, took an active role to work reasonably and cautiously to protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended all the Board meetings, the annual general meeting, and class meetings of the Company. It provided reasonable suggestions and opinions to the Board in respect of the operations and development plans of the Company. It also strictly and effectively monitored and supervised the management of the Company, to ensure that it was in compliance with the PRC laws and the articles of association of the Company, and in the interests of shareholders and employees when making significant policies and decisions.

We have reviewed and agreed to the Directors' report, audited consolidated financial statements to be proposed by the Board for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, chief executive officer and other senior management of the Company had during the year strictly observed their fiduciary duties, acted diligently and exercised their authorities faithfully in the best interests of the Company and the shareholders as a whole. None of the Directors, chief executive officer and members of the senior management had been found to have abused their authorities, damaged the interests of the Company and infringed upon the interests of shareholders and employees of the Company.

The Supervisory Committee is satisfied with the achieved operating results and cost-effectiveness of the Company in 2020 and has great confidence in the future of the Company.

Finally, I, on behalf of the Supervisory Committee, would like to thank all shareholders and staff of the Company for their support and patronage for the Supervisory Committee.

By Order of the Supervisory Committee
Baoye Group Company Limited
Kong Xiangquan
Chairman

Zhejiang, the PRC
26 March, 2021

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the shareholders of Baoye Group Company Limited
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Baoye Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 72 to 162, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from provision of construction services

- Impairment loss on trade receivables

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from provision of construction services	
Refer to Note 4 "Critical accounting estimates and judgments" and Note 5 "Segment information" to the consolidated financial statements. Revenue from provision of construction services for the year ended 31 December 2020 amounted to RMB20,433,386,000 representing approximately 81% of the Group's total revenue. For construction services contracts, the Group recognises revenue over time by reference to the progress towards complete satisfaction of performance obligation which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each construction contract. We focused on this area as the revenue from provision of construction services was material and the determining of the total costs of construction contracts and the related revenue involved significant judgments and estimates made by management, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of revenue from provision of construction services is considered significant due to uncertainty of significant assumptions used.	We have performed the following procedures to address this key audit matter: (i) Understood, evaluated and tested the internal controls over the recognition of revenue from provision of construction services and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. (ii) Discussed with management the variance between the actual final costs and the estimated costs for contracts completed during the year to assess the reliability of management's estimation. (iii) Tested the actual costs incurred in relation to construction contracts by tracing to the supporting documents, such as invoices received from suppliers, on a sample basis. (iv) Challenged the reasonableness of the gross profit margin of material construction contracts with benchmark based on our industry knowledge. (v) Checked the contract price to original construction contracts and, if applicable, variation orders. We found that the significant judgments and estimates made by management in determining the total costs of construction contracts and the related revenue were properly supported by available evidence.

Key audit matter	How our audit addressed the key audit matter
Impairment loss on trade receivables	
Refer to Note 4 "Critical accounting estimates and judgments" and Note 15 "Trade and other receivables" to the consolidated financial statements. As at 31 December 2020, gross trade receivables amounted to RMB4,330,627,000, which represented approximately 10% of the total assets of the Group, and a total loss allowance of RMB307,181,000 was provided against the gross amount of trade receivables. Management assessed the impairment loss on trade receivables based on assumptions about expected credit loss rates. The Group used judgments in making these assumptions and selecting the inputs to the impairment loss calculation, taking into account cash collection history, existing market conditions as well as forward looking estimates. We focused on this area as the balance of trade receivables was material and the assessment on the impairment loss on these receivables involved significant judgments and estimates made by management, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment loss on trade receivables is considered significant due to uncertainty of significant assumptions used.	We have performed the following procedures to address this key audit matter: (i) Understood, evaluated and tested the internal controls in relation to collection of trade receivables and assessment on the related impairment loss and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. (ii) Requested confirmations of debtor balances on a sample basis. Where a reply was not received, we performed alternative procedures by inspecting the supporting documents such as underlying invoices or goods delivery notes, as appropriate. (iii) Challenged the reasonableness of the expected credit loss rates of different group of ageing and type of customers. (iv) Tested, on a sample basis, the accuracy of the ageing of trade receivables and checked the accuracy of the calculation of impairment loss allowance. We found that the significant judgments and estimates made by management in assessing the impairment loss on the trade receivables were properly supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Chin Hoo.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2021

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**2,798,312**	2,628,086
Right-of-use assets	7	**686,963**	675,895
Investment properties	8	**764,969**	766,435
Goodwill		**16,534**	16,534
Investments accounted for using the equity method	10	**676,769**	502,189
Trade and other receivables	15	**613,074**	826,115
Financial assets at fair value through other comprehensive income	11	**222,568**	228,197
Financial assets at fair value through profit or loss	16	**6,752**	8,486
Deferred income tax assets	24	**253,418**	273,097
		6,039,359	5,925,034
Current assets			
Inventories	12	**288,654**	193,689
Properties under development	13	**11,049,231**	5,075,556
Completed properties held for sale	14	**2,826,601**	3,265,564
Contract assets	5	**5,487,756**	3,814,297
Trade and other receivables	15	**6,632,126**	9,458,226
Financial assets at fair value through profit or loss	16	**753,600**	558,000
Restricted bank deposits	17,18	**1,553,935**	719,015
Term deposits with initial term of over three months	18	**282,157**	303,390
Cash and cash equivalents	18	**7,261,532**	5,504,968
		36,135,592	28,892,705
Total assets		**42,174,951**	34,817,739

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	19	**1,044,097**	1,044,097
Other reserves	20	**208,997**	209,296
Retained earnings	21	**8,726,599**	7,936,651
		9,979,693	9,190,044
Non-controlling interests		**375,653**	393,861
Total equity		**10,355,346**	9,583,905
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	23	**2,219,700**	1,961,000
Lease liabilities	7	**1,761**	1,947
Deferred income tax liabilities	24	**151,535**	179,934
		2,372,996	2,142,881
Current liabilities			
Contract liabilities	5	**11,243,496**	6,940,932
Trade and other payables	22	**15,420,229**	12,781,795
Lease liabilities	7	**403**	7,803
Bank and other borrowings	23	**2,434,155**	2,838,689
Current income tax liabilities		**348,326**	521,734
		29,446,609	23,090,953
Total liabilities		**31,819,605**	25,233,834
Total equity and liabilities		**42,174,951**	34,817,739

The notes on pages 79 to 162 are an integral part of these consolidated financial statements.

The financial statements on pages 72 to 162 were approved by the Board of Directors on 26 March 2021 and were signed on its behalf.

Mr. Pang Baogen
Director

Mr. Gao Jiming
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	5	**25,275,453**	24,799,413
Cost of sales	27	**(23,198,277)**	(22,762,606)
Gross profit		**2,077,176**	2,036,807
Other income	25	**182,886**	149,890
Other gains – net	26	**23,696**	135,016
Selling and marketing costs	27	**(164,377)**	(101,131)
Administrative expenses	27	**(677,520)**	(664,081)
Net impairment losses on financial and contract assets	3.1(b)	**(49,532)**	(72,839)
Operating profit		**1,392,329**	1,483,662
Finance income	29	**11,247**	5,505
Finance costs	29	**(96,897)**	(104,697)
Finance costs – net	29	**(85,650)**	(99,192)
Share of results of investments accounted for using the equity method	10	**(12,170)**	(12,831)
Profit before income tax		**1,294,509**	1,371,639
Income tax expenses	30	**(462,698)**	(459,632)
Profit for the year		**831,811**	912,007
Profit attributable to:			
– Owners of the Company		**794,084**	856,691
– Non-controlling interests		**37,727**	55,316
		831,811	912,007
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB yuan per share)	31	**1.41**	1.52

The notes on pages 79 to 162 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Profit for the year		**831,811**	912,007
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Currency translation differences	20	**(213)**	–
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income	20	**(4,222)**	(3,453)
Total other comprehensive loss for the year, net of tax		**(4,435)**	(3,453)
Total comprehensive income for the year		**827,376**	908,554
Total comprehensive income attributable to:			
– Owners of the Company		**789,649**	853,238
– Non-controlling interests		**37,727**	55,316
Total comprehensive income for the year		**827,376**	908,554

The notes on pages 79 to 162 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Note	Share Capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		562,664	481,433	205,263	7,087,446	8,336,806	230,734	8,567,540
Comprehensive income								
Profit for the year		–	–	–	856,691	856,691	55,316	912,007
Other comprehensive loss	20	–	–	(3,453)	–	(3,453)	–	(3,453)
Total comprehensive income		–	–	(3,453)	856,691	853,238	55,316	908,554
Transactions with owners in their capacity as owners								
Transfer of statutory surplus reserves	21	–	–	7,486	(7,486)	–	–	–
Capital contributions by non-controlling interests		–	–	–	–	–	120,825	120,825
Dividends paid to non-controlling interests		–	–	–	–	–	(13,014)	(13,014)
Total transactions with owners		–	–	7,486	(7,486)	–	107,811	107,811
Balance at 31 December 2019		562,664	481,433	209,296	7,936,651	9,190,044	393,861	9,583,905

	Note	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
		Share Capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2020		562,664	481,433	209,296	7,936,651	9,190,044	393,861	9,583,905
Comprehensive income								
Profit for the year		–	–	–	794,084	794,084	37,727	831,811
Other comprehensive loss	20	–	–	(4,435)	–	(4,435)	–	(4,435)
Total comprehensive income		–	–	(4,435)	794,084	789,649	37,727	827,376
Transactions with owners in their capacity as owners								
Transfer of statutory surplus reserves	21	–	–	4,136	(4,136)	–	–	–
Capital contributions by non-controlling interests		–	–	–	–	–	32,300	32,300
Dividends paid to non-controlling interests		–	–	–	–	–	(88,235)	(88,235)
Total transactions with owners		–	–	4,136	(4,136)	–	(55,935)	(55,935)
Balance at 31 December 2020		562,664	481,433	208,997	8,726,599	9,979,693	375,653	10,355,346

The notes on pages 79 to 162 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	**2,777,516**	708,034
Interest paid		**(259,982)**	(234,315)
Income tax paid		**(640,755)**	(402,321)
Net cash generated from operating activities		**1,876,779**	71,398
Cash flows from investing activities			
Payments for investments in joint ventures	10(a)	**(2,750)**	(200,603)
Repayment of loans by joint ventures	15(a)	**463,794**	210,282
Loans to joint ventures	15(a)	**(237,500)**	(693,589)
Payments for investments in associates	10(b)	**(184,000)**	–
Repayment of loans by associates	15(b)	**6,031**	402,868
Loans to associates	15(b)	**–**	(4,000)
Purchase of financial assets at fair value through profit or loss	16	**(753,600)**	(929,400)
Disposal of financial assets at fair value through profit or loss		**577,610**	911,833
Disposal of an associate		**–**	318,784
Disposal of subsidiaries, net of cash disposed of	36	**6,455**	4,202
Purchase of property, plant and equipment		**(433,729)**	(782,096)
Proceeds from disposal of property, plant and equipment	33(b)	**46,761**	72,415
Purchase of right-of-use for land use rights	7	**(37,311)**	(90,468)
Advance from government for housing demolition and relocation		**–**	6,914
Decrease/(increase) of term deposits with initial term of over three months		**21,233**	(217,686)
Interest received		**182,886**	131,278
Net cash used in investing activities		**(344,120)**	(859,266)
Cash flows from financing activities			
Proceeds from borrowings		**4,396,077**	5,418,613
Repayments of borrowings		**(4,541,911)**	(2,851,344)
Repayments of corporate bonds		**–**	(299,771)
Issue of corporate bonds		**–**	299,771
Principal elements of lease payments		**(7,586)**	(7,419)
Capital contributions by non-controlling interests		**32,300**	120,825
Advances/(repayment of advances) from non-controlling interests		**445,125**	(73,077)
Dividends paid to non-controlling interests		**(88,235)**	(13,014)
Net cash generated from financing activities		**235,770**	2,594,584
Net increase in cash and cash equivalents		**1,768,429**	1,806,716
Cash and cash equivalents at beginning of the year		**5,504,968**	3,698,252
Exchange losses on cash and cash equivalents		**(11,865)**	–
Cash and cash equivalents at end of the year		**7,261,532**	5,504,968

The notes on pages 79 to 162 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

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

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

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

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

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.2.4), after initially being recognised at cost.

2.2.3 Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures only.

Interests in joint ventures are accounted for using the equity method (Note 2.2.4), after initially being recognised at cost in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (continued)

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.2.5 Changes in equity interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (continued)

2.2.5 Changes in equity interests (continued)

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combination (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment and is being either the cash consideration amount or the amount of net asset value of the subsidiary for share-settled transaction under reorganisation and business combination under common control. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statements within "Finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other gains – net".

(c) *Group companies*

The results and consolidated balance sheet of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs amounts to their residual values over their estimated useful lives, as follows:

Buildings and plants	20 years
Machinery	10 years
Motor vehicles	4 to 5 years
Office equipment and others	3 to 5 years

The leasehold improvements and certain leased plant and equipment are depreciated over the shorter of their useful life or the lease term, unless the Group expects to use the assets beyond the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Construction in progress represents the direct costs of construction incurred in property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time that the relevant assets are completed and available for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains – net", in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in 'Other gains – net'.

If an item of properties under development or completed properties held for sale becomes an investment property because its use has changed, any difference between the fair value of the property at that date and its previous carrying amount is recognised in 'Other gains – net'.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered from impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(a) Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "Other income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains – net", together with foreign exchange gains and losses.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains – net". Interest income from these financial assets is included in "Other income" using the effective interest rate method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(b) *Recognition and measurement (continued)*

Debt instruments (continued)

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other gains – net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "Other gains – net" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'Other gains – net' in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.11 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For contract assets and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of properties comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfil a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfil a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties under development or completed properties held for sale, while those out of the normal operating cycle are classified as non-current assets.

2.13 Completed properties held for sale

Completed properties remaining unsold at year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade receivables

Trade receivables are amounts due from customers for merchandise (including the properties and building materials) sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 15 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the group's impairment policies.

2.16 Contract assets, contract acquisition costs and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer as contract acquisition cost within contract assets if the Group expects to recover those costs.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted to use are included in "restricted bank deposits" of the consolidated balance sheet. Restricted bank deposits are excluded from cash and cash equivalents.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's owners.

2.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differences between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

2.23 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Current and deferred income tax (continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Pension obligations

The Group contributes to defined contributions retirement schemes organised and administered by the governmental authorities which are available to all employees in the PRC. Contributions to the schemes by the Group are calculated as a percentage of employees' basic salaries.

The government authorities undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the schemes described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

The Group's contributions to the above defined contributions retirement scheme are expensed as incurred.

2.25 Revenue recognition

(i) Revenue from contracts with customers

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforce able right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

(i) *Revenue from contracts with customers (continued)*

Rendering of construction services, sale of properties and sale of building materials

For construction services contracts, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to the progress towards complete satisfaction of that performance obligation which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

For property sales contracts and building materials sales contracts for which the control of the property or the building materials are transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property or the building materials and the Group has present right to payment and the collection of the consideration is probable. For property sales contracts for which the control of the property is transferred over time, revenue is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance obligation completed to date.

Hotel operation and membership services

Revenue from hotel operation and membership services is recognised in the accounting period in which the services are rendered.

(ii) *Rental income*

Rental income from investment properties, building, plants and machinery and completed properties held for sale under operating leases is recognised on a straight line basis over the term of the lease.

2.26 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of other income.

Interest income is presented as finance income where is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.28 Leases

Leases of property, plant and equipment are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. In addition, leases of land are recognised as right-of-use for land.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities and cash payments for the interest portion are consistent with presentation of interest payments.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.30 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9, 'Financial Instruments' and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy aims to minimise the potential adverse effects on the financial performance of the Group.

Risk management is carried out by the senior management of the Group, which includes the executive directors of the Group.

(a) *Market risk*

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rates and regulations of foreign exchange control promulgated by the PRC government.

The main foreign currency assets held by the Group is US dollar ("USD"). This exposes the Group to foreign exchange risk. The conversion and remittance of these currencies are subject to governing regulations in these countries.

There is no written policy to manage this foreign exchange risk. Management monitors the Group's currency exposure on an ongoing basis. During 2020 and 2019, the Group did not purchase forward contracts to hedge the foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets at 31 December 2020 and 2019 were as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Assets		
USD	**109,498**	243,262

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effects on the net profit or loss for the year would be as follows:

	Change of net profit or loss – (decrease)/increase	
	2020	2019
	RMB'000	RMB'000
RMB against USD:		
Strengthened by 5%	**(4,106)**	(9,122)
Weakened by 5%	**4,106**	9,122

(ii) Price risk

The Group is exposed to certain raw materials (such as cement and steel) price risk, but does not enter into forward contract to hedge the related risk. Price changes are generally passed on to customers. Besides, the Group is exposed to listed equity securities price risk because the Group has financial assets at FVPL – listed equity securities. The Group does not actively trade listed equity securities. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

As at 31 December 2020, management considered that the price risk of the listed equity securities was not material to the Group as the amount of the listed equity securities was not significant.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing bank deposits, bank and other borrowings and corporate bonds. Bank deposits, bank and other borrowings with variable interest rates expose the Group to cash flow interest-rate risk. Bank and other borrowings and corporate bonds with fixed interest rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2020, if interest rates on borrowing had been 1% higher/lower with all other variables held constant, the net profit for current year would decrease/increase by RMB1,257,000 (2019: RMB655,000), the properties under development would increase/decrease by RMB2,521,000 (2019: RMB3,168,000) and constructions in progress would increase/decrease by RMB373,000 (2019: RMB413,000).

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets, loans to joint ventures, loans to associates, cash deposits with banks and granting of guarantees in respect of mortgage facility to properties' purchasers, which represent the Group's maximum exposure to credit risk.

To manage this risk, cash deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that provision of construction services and sale of building materials are made to customers with an appropriate credit history; sales of completed properties on credit are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchases of the properties for an amount up to 75% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group considers the probability of default upon initial recognition of financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including
- changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Loans to joint ventures and associates

As at 31 December 2020, the Group provides for credit losses against loans to joint ventures and associates as follows:

Expected credit loss rate	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
0.5%-5%	12 month expected losses	Gross carrying amount

As at 31 December 2019, the Group provides for credit losses against loans to joint ventures and associates as follows:

Expected credit loss rate	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
0.5%-5%	12 month expected losses	Gross carrying amount

No significant change to estimation techniques or assumptions was made during the reporting period.

The loss allowance provision for loans to joint ventures and associates in non-current assets as at 31 December reconciles to the opening loss allowance for that provision as follows:

	Loans to joint ventures		Loans to associates	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**9,217**	6,523	**2,442**	6,344
(Reversal)/Provision for loss allowance	**(1,617)**	2,694	**(61)**	(3,902)
At 31 December	**7,600**	9,217	**2,381**	2,442
Less: loss allowance provision against current assets	**(5,064)**	(5,556)	**–**	(94)
Loss allowance provision against non-current assets	**2,536**	3,661	**2,381**	2,348

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Loans to joint ventures and associates (continued)

As at 31 December 2020, the gross carrying amount of loans to joint ventures and loans to associates were RMB687,182,000 (2019: RMB892,976,000) and RMB238,146,000 (2019: RMB244,176,000) respectively, and thus the maximum exposure to loss of loans to joint ventures and loans to associates were RMB679,582,000 (2019: RMB883,759,000) and RMB235,765,000 (2019: RMB241,734,000) respectively.

(ii) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing profile. The historical loss rates for each aging bucket are derived base on the probability of a receivable progressing through successive stages of delinquency to write-off. The historical loss rates are adjusted to expected loss rates to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparty to settle the receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Trade receivables and contract assets (continued)

The loss allowance provision as at 31 December 2020 and 2019 is determined as follows, the expected credit losses below also incorporate forward looking information

31 December 2020 Trade receivables aged	Within 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Weighted average expected loss rate	0.5%	2.1%	11.2%	19.1%	33.3%	
Gross carrying amount (RMB'000)	1,496,710	1,109,437	1,102,773	379,662	242,045	4,330,627
Loss allowance provision (RMB'000)	7,592	23,184	123,227	72,490	80,688	307,181

31 December 2019 Trade receivables aged	Within 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Weighted average expected loss rate	0.5%	2.0%	10.5%	18.0%	31.4%	
Gross carrying amount (RMB'000)	1,897,554	1,852,451	793,735	443,070	198,753	5,185,563
Loss allowance provision (RMB'000)	9,082	36,521	83,674	79,808	62,504	271,589

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts, and the expected loss rate of contract assets is assessed to be 0.5%.

The loss allowance provision for trade receivables and contract assets reconciles to the opening loss allowance for that provision was as follows:

	Trade receivables		Contract assets	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
At 1 January	271,589	207,867	14,024	3,685
Provision for loss allowance	35,592	63,722	15,169	10,339
At 31 December	307,181	271,589	29,193	14,024

As at 31 December 2020, the gross carrying amount of trade receivables and contract assets were RMB4,330,627,000 (2019: RMB5,185,563,000) and RMB5,843,760,000 (2019: RMB3,828,321,000) respectively, and thus the maximum exposure to loss of trade receivables and contract assets were RMB4,023,446,000 (2019: RMB4,913,974,000) and RMB5,814,567,000 (2019: RMB3,814,297,000) respectively.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Other receivables

Other financial assets at amortised cost include other receivables. Other receivables mainly include deposits of retention money and others.

The loss allowance provision for other receivables reconciles to the opening loss allowance for that provision as follows:

	Other receivables	
	2020	2019
	RMB'000	RMB'000
At 1 January	**6,991**	7,005
Provision/(reversal) for loss allowance	**449**	(14)
At 31 December	**7,440**	6,991

As at 31 December 2020, the gross carrying amount of other receivables was RMB1,465,308,000 (2019: RMB1,523,152,000), and thus the maximum exposure to loss of other receivables was RMB1,457,868,000 (2019: RMB1,516,161,000).

(iv) Total impairment losses on financial and contract assets

	2020	2019
	RMB'000	RMB'000
Provided for:		
Loans to joint ventures and associates	**(1,678)**	(1,208)
Trade receivables and contract assets	**50,761**	74,061
Other receivables	**449**	(14)
	49,532	72,839

(c) Liquidity risk

The Group has established a central treasury department (group treasury) to manage its cash flow. The Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term bank borrowings, long-term bank and other borrowings and other loans to meet its business demand. The Group treasury maintains flexibility in funding by maintaining adequate amount of cash and cash equivalent and abundant sources of financing.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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 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 guarantee	**1,664,673**	**–**	**–**	**–**	**1,664,673**
	18,631,532	**782,826**	**806,905**	**868,509**	**21,089,772**

	As at 31 December 2019				
	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	2,838,689	231,000	1,491,000	239,000	4,799,689
Interest of bank and other borrowings	134,449	74,173	139,752	55,835	404,209
Trade and other payables (excluding other taxes payables, advance and salaries payables)	11,945,399	–	–	–	11,945,399
Lease liabilities	7,985	1,995	–	–	9,980
Financial guarantee	410,222	–	–	–	410,222
	15,336,744	307,168	1,630,752	294,835	17,569,499

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy-back of issued shares, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" and "corporate bonds" as shown in the consolidated balance sheet) less cash and cash equivalents and restricted bank deposits. Total capital is calculated as "equity attributable to the Company's owners" as shown in the consolidated balance sheet.

As at 31 December 2020 and 2019, the Group had surplus cash and cash equivalents over borrowings.

3.3 Fair value estimation

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that were measured at fair value at 31 December 2020 and 2019. See Note 8 for disclosures of the investment properties that were measured at fair value.

	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**
	6,752	**–**	**976,168**	**982,920**

	As at 31 December 2019			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL				
– Bank financial products	–	–	558,000	558,000
– Listed equity securities	8,486	–	–	8,486
Financial assets at FVOCI				
– Unlisted equity securities	–	–	228,197	228,197
	8,486	–	786,197	794,683

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

There were no transfers of financial assets between level 1 level 2, and level 3 fair value hierarchy classifications during the year ended 31 December 2020.

The following table presents the changes in level 3 instruments for the year ended 31 December 2020 and 2019.

	2020 RMB'000	2019 RMB'000
At 1 January	**786,197**	750,621
Additions	**753,600**	929,400
Disposals	**(558,000)**	(889,220)
Fair value changes recognised in other comprehensive income	**(5,629)**	(4,604)
At 31 December	**976,168**	786,197

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Financial instruments by category

	Note	2020 RMB'000	2019 RMB'000
Financial assets			
Financial assets at amortised cost			
– Trade and other receivables (excluding prepayment)	15	6,396,660	7,553,147
– Restricted bank deposits	17,18	1,553,935	719,015
– Term deposits with initial term of over three months	18	282,157	303,390
– Cash and cash equivalents	18	7,261,532	5,504,968
Financial assets at FVOCI	11	222,568	228,197
Financial assets at FVPL	16	760,352	566,486
At 31 December		16,477,204	14,875,203

	Note	2020 RMB'000	2019 RMB'000
Financial liabilities			
Financial liabilities at amortised cost			
– Trade and other payables (excluding other taxes payables, advance and salaries payables)	22	14,420,027	11,945,399
– Borrowings	23	4,653,855	4,799,689
– Lease liabilities	7	2,164	9,750
At 31 December		19,076,046	16,754,838

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition for provision of construction services

For construction services contracts, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to the progress towards complete satisfaction of that performance obligation which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each construction contract. Significant judgments and estimates are involved in determining the total costs of construction contracts and the related revenue. In making the estimations of total costs for each construction contract, management relies on past experience and work of contractors and, if appropriate, surveyors. Changes in cost estimates in future periods can have effect on the Group's revenue recognised.

(b) Impairment of financial and contract assets

The Group made allowances on financial assets (including loans to joint ventures, loans to associates, trade receivables and other receivables) and contract assets based on assumptions about risk of default and expected credit loss rates. The Group used judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of these financial and contract assets and impairment charge in the periods in which such estimate has been changed. For details of the key assumptions and inputs used in the impairment assessment, see Note 3.1(b).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Income taxes and deferred taxation

Significant judgments and estimates are required in determining the provision for income tax (including land appreciation tax). There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgments and assumptions have been disclosed in Note 8.

5 SEGMENT INFORMATION

The chief operating decision-makers are executive directors, who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the operation from a business perspective, by assessing the performance of the following three main operating segments:

- Construction – provision of construction services
- Property development – development and sale of properties
- Building materials – manufacture, sale and installation of building materials

The Group's other operations mainly comprise the sale of construction equipment, operation of investment properties, provision of architectural and interior design services and others.

The executive directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes financial costs and share of results of associates and joint ventures from the operating segments. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the consolidated financial statements. At the Group level no information regarding segment assets and segment liabilities is provided to the executive directors.

5 SEGMENT INFORMATION (CONTINUED)

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.

The segment information was as follows:

	Year ended 31 December 2020				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Revenue from contracts with customers	22,624,788	1,972,143	3,281,250	550,002	28,428,183
Recognised at a point in time	–	1,962,217	1,984,943	522,764	4,469,924
Recognised over time	22,624,788	9,926	1,296,307	27,238	23,958,259
Revenue from other sources					
Rental income	–	–	–	108,818	108,818
Total segment revenue	22,624,788	1,972,143	3,281,250	658,820	28,537,001
Less: inter-segment revenue	(2,191,402)	–	(794,844)	(275,302)	(3,261,548)
Revenue (from external customers)	20,433,386	1,972,143	2,486,406	383,518	25,275,453
Operating profit	545,212	725,085	110,300	11,732	1,392,329
Depreciation	64,822	11,286	110,502	51,204	237,814
Net impairment losses on financial and contract assets	42,119	(802)	8,320	(105)	49,532

5 SEGMENT INFORMATION (CONTINUED)

The segment information was as follows: (continued)

	Year ended 31 December 2019				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Revenue from contracts with customers	20,717,039	2,089,186	3,751,618	663,360	27,221,203
Recognised at a point in time	–	1,816,637	2,393,859	637,534	4,848,030
Recognised over time	20,717,039	272,549	1,357,759	25,826	22,373,173
Revenue from other sources					
Rental income	–	–	–	79,914	79,914
Total segment revenue	20,717,039	2,089,186	3,751,618	743,274	27,301,117
Less: inter-segment revenue	(1,687,199)	–	(548,528)	(265,977)	(2,501,704)
Revenue (from external customers)	19,029,840	2,089,186	3,203,090	477,297	24,799,413
Operating profit	467,100	757,445	156,238	102,879	1,483,662
Depreciation	49,642	9,791	89,356	40,268	189,057
Net impairment losses on financial and contract assets	42,778	(3,001)	31,638	1,424	72,839

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

(a) Analysis of revenue by category

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

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

(b) Assets and liabilities related to contracts with customers

Details of contract assets are as follows:

	2020 RMB'000	2019 RMB'000
Relating to construction services	5,025,646	3,313,205
Relating to installation of building materials	491,303	515,116
	5,516,949	3,828,321
Less: provision for loss allowance (Note 3.1(b))	(29,193)	(14,024)
Total contract assets	5,487,756	3,814,297

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

5 SEGMENT INFORMATION (CONTINUED)

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

Details of contract liabilities are as follows:

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

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

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Provision of construction services	**1,740,229**	1,650,165
– Sale of properties	**1,568,412**	1,508,367
– Sale of building materials	**157,883**	208,854
	3,466,524	3,367,386

Unsatisfied contract related to construction services, sale of properties and sale of building materials:

	2020 RMB'000	2019 RMB'000
Expected to be recognised within one year	**23,140,625**	21,917,189
Expected to be recognised after one year	**40,916,730**	31,334,979
Total transaction price allocated to the unsatisfied contracts as of 31 December	**64,057,355**	53,252,168

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings and plants RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019						
Cost	2,044,248	641,841	110,010	184,609	236,760	3,217,468
Accumulated depreciation	(573,745)	(306,770)	(84,291)	(174,842)	–	(1,139,648)
Net book amount	1,470,503	335,071	25,719	9,767	236,760	2,077,820
Year ended 31 December 2019						
Opening net book amount	1,470,503	335,071	25,719	9,767	236,760	2,077,820
Additions	118,122	102,116	27,838	13,145	535,820	797,041
Transfer from completed properties held for sale	111,481	–	–	–	–	111,481
Disposal of subsidiaries	(69,783)	(48,707)	(1,539)	(1,039)	(7,514)	(128,582)
Other transfers	172,449	70,860	410	2,433	(246,152)	–
Other disposals	(51,409)	(3,738)	(3,871)	(332)	(6,430)	(65,780)
Depreciation charge	(83,931)	(51,475)	(14,438)	(14,050)	–	(163,894)
Closing net book amount	1,667,432	404,127	34,119	9,924	512,484	2,628,086
At 31 December 2019						
Cost	2,328,482	735,569	117,143	175,345	512,484	3,869,023
Accumulated depreciation	(661,050)	(331,442)	(83,024)	(165,421)	–	(1,240,937)
Net book amount	1,667,432	404,127	34,119	9,924	512,484	2,628,086
Year ended 31 December 2020						
Opening net book amount	**1,667,432**	**404,127**	**34,119**	**9,924**	**512,484**	**2,628,086**
Additions	**28,171**	**103,899**	**23,405**	**19,573**	**279,366**	**454,414**
Disposal of subsidiaries	**(636)**	**(9,799)**	**(4,620)**	**(284)**	**–**	**(15,339)**
Transfers	**155,578**	**41,828**	**–**	**233**	**(197,639)**	**–**
Other disposals	**(15,381)**	**(1,639)**	**(1,221)**	**(158)**	**(38,879)**	**(57,278)**
Depreciation charge	**(127,304)**	**(58,180)**	**(14,518)**	**(11,569)**	**–**	**(211,571)**
Closing net book amount	**1,707,860**	**480,236**	**37,165**	**17,719**	**555,332**	**2,798,312**
At 31 December 2020						
Cost	**2,473,392**	**842,217**	**93,949**	**183,990**	**555,332**	**4,148,880**
Accumulated depreciation	**(765,532)**	**(361,981)**	**(56,784)**	**(166,271)**	**–**	**(1,350,568)**
Net book amount	**1,707,860**	**480,236**	**37,165**	**17,719**	**555,332**	**2,798,312**

Depreciation charge of RMB130,955,000 (2019: RMB86,783,000) and RMB80,616,000 (2019: RMB77,111,000) has been expensed in cost of sales and administrative expenses, respectively.

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2020, total carrying value of property, plant and equipment pledged as collateral for the Group's bank borrowings amounted to RMB201,865,000 (2019: RMB236,013,000) (Note 23(a).

Buildings and plants and machinery leased by the Group to third parties under operating leases with the following carrying amounts:

	2020 RMB'000	2019 RMB'000
Cost	**243,867**	179,734
Accumulated depreciation at 1 January	**(65,167)**	(67,121)
Depreciation charge for the year	**(11,319)**	(9,521)
Net book amount	**167,381**	103,092
Related rental income for the year	**50,042**	37,239

7 LEASES

The balance sheet shows the following amounts relating to leases:

	2020 RMB'000	2019 RMB'000
Right-of-use assets		
Right-of-use for properties	**3,152**	10,074
Right-of-use for land	**683,811**	665,821
	686,963	675,895
Lease liabilities		
Current	**403**	7,803
Non-current	**1,761**	1,947
	2,164	9,750

Additions to the right-of-use assets during the 2020 financial year were RMB37,311,000 (2019: RMB90,698,000). Disposal of the right-of-use for land during the year ended 31 December 2020 were nil (2019: RMB23,344,000). Right-of-use for land were located in the PRC and were held on leases of between 40 to 70 years.

7 LEASES (CONTINUED)

The consolidated income statement shows the following amounts relating to leases:

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets		
Right-of-use for properties	**(6,922)**	(7,095)
Right-of-use for land	**(19,321)**	(18,068)
	(26,243)	(25,163)
Interest expense (included in finance cost)	**(294)**	(688)
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**–**	–

The total cash outflow for leases in 2020 was RMB7,880,000 (2019: RMB8,107,000).

8 INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
At 1 January	**766,435**	742,768
Transfer from completed properties held for sale	**–**	26,355
Fair value losses (i)	**(1,466)**	(2,688)
At 31 December, at fair value	**764,969**	766,435

Amounts recognised in profit and loss for investment properties

	2020 RMB'000	2019 RMB'000
Rental income	**28,093**	64,092
Direct operating expenses from properties that generated rental income	**(18,917)**	(18,104)
	9,176	45,988

8 INVESTMENT PROPERTIES (CONTINUED)

Amounts recognised in profit and loss for investment properties (continued)

(i) Fair value losses recognised in other gains included:

	2020 RMB'000	2019 RMB'000
Revaluation gains upon transfer from completed properties held for sale	–	2,751
Fair value losses	(1,466)	(5,439)
	(1,466)	(2,688)

As at 31 December 2020, the Group had no unprovided contractual obligations for future repairs and maintenance (2019: Nil).

As at 31 December 2020, total carrying value of investment properties pledged as collateral for the Group's asset-backed securities amounted to RMB610,871,000 (2019: RMB612,337,000) (Note 23(a)).

The Group's investment properties represented shopping malls and office buildings and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through leasing.

As at 31 December 2020, an independent valuation of the Group's investment properties was performed by the valuer, Shaoxing Zhongxing Property Surveyors Limited, or the management to determine the fair value of the investment properties. The revaluation loss was included in "Other gains – net" in the consolidated income statement (Note 26). The investment properties, carried at fair value, were valued by using unobservable inputs of fair value hierarchy Level 3.

There were no transfers between Levels 1, 2 and 3 during the year.

8 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs (Level 3)

	Shopping malls		Office buildings	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Opening balance	612,337	617,169	154,098	125,599
Transfer from completed properties held for sale	–	–	–	26,355
Revaluation gains upon transfer from completed properties held for sale	–	–	–	2,751
Net losses from fair value adjustment	(1,466)	(4,832)	–	(607)
Closing balance	610,871	612,337	154,098	154,098

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2020 by an independent professionally qualified valuer who hold a recognised relevant professional qualification or the management and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's valuation team calculates the valuations or reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the directors. Discussions of valuation processes and results are held between the directors and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Calculates the valuation or verifies all major inputs to the valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the valuation team and independent valuer, if independent valuer is involved.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the directors and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

8 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques

For the completed shopping malls and office buildings, the valuation was determined using discounted cash flow ("DCF") projections based on significant unobservable inputs. These input include:

Future rental cash inflows	Based on location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties.
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows.
Estimated vacancy rates	Based on current and expected future market conditions after expiry of any current lease.
Maintenance costs	Including necessary investments to maintain functionality of the property for its expected useful life.
Capitalisation rates	Based on location, size and quality of the properties and taking into account market data at the valuation date.
Terminal value	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

8 INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Unobservable inputs	Range of unobservable inputs (probability-weighted average) As at 31 December 2020	As at 31 December 2019	Relationship of unobservable inputs to fair value
Shopping malls	Rental cash inflows	RMB40-RMB171 per month per square meter	RMB37-RMB164 per month per square meter	The higher the rental value, the higher the fair value
	Discount rate	7%	7%	The higher the discount rate, the lower the fair value
	Capitalisation rate	5%	5%	The higher the capitalisation rate, the lower the fair value
Office buildings	Rental cash inflows	RMB111-RMB160 per month per square meter	RMB111-RMB160 per month per square meter	The higher the rental value, the higher the fair value
	Discount rate	6%	6%	The higher the discount rate, the lower the fair value
	Capitalisation rate	5%	5%	The higher the capitalisation rate, the lower the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

9 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2020, all of which are limited liability companies incorporated and operating in the PRC, except for Baoye Hubei Construction Engineering Group Co., Ltd., which also operates in African countries:

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly		RMB'000	
浙江寶業建設集團有限公司 Zhejiang Baoye Construction Group Co., Ltd.	95.73%	4.27%	–	1,055,000	Construction and construction related business
浙江寶業幕牆裝飾有限公司 Zhejiang Baoye Curtain Wall Decoration Co., Ltd.	–	83.06%	16.94%	252,000	Manufacture and installation of curtain wall and steel framework
浙江寶業交通建設工程有限公司 Zhejiang Baoye Infrastructure Construction Co., Ltd.	73.68%	26.32%	–	228,000	Construction of highway, bridges and other municipal infrastructure
浙江廣藝建築裝飾工程有限公司 Zhejiang Guangyi Construction and Decoration Co., Ltd.	100%	–	–	50,000	Decoration and replenishment
浙江寶業房地產集團有限公司 Zhejiang Baoye Real Estate Group Co., Ltd.	90%	10%	–	50,000	Property development
紹興寶業四季園房地產有限公司 Shaoxing Baoye Four Seasons Garden Real Estate Co., Ltd.	100%	–	–	100,000	Property development
浙江寶業住宅產業化有限公司 Zhejiang Baoye Building Materials Industrialisation Co., Ltd.	100%	–	–	53,600	Sales of concrete and construction materials
浙江寶業木製品有限公司 Zhejiang Baoye Woodwork Co., Ltd	100%	–	–	31,514	Sales of steel, wood fireproof doors, and other wooden products
上海紫寶房地產開發有限公司 Shanghai Zibao Real Estate Development Co., Ltd.	–	100%	–	18,000	Property development

9 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held Directly	Attributable equity interest held Indirectly	Proportion of ordinary shares held by non-controlling interests	Registered capital RMB'000	Principal activities
安徽寶業建工集團有限公司 Anhui Baoye Construction Engineering Group Co., Ltd.	–	100%	–	1,000,000	Sales of concrete and construction materials
合肥寶業房地產有限公司 Hefei Baoye Real Estate Co., Ltd.	–	100%	–	30,000	Property development
安徽華騰投資有限公司 Anhui Huateng Investment Co., Ltd.	–	100%	–	10,000	Property development
上海寶筑房地產開發有限公司 Shanghai Baozhu Real Estate Development Co., Ltd.	–	100%	–	30,000	Property development
上海寶悦房地產開發有限公司 Shanghai Baoyue Real Estate Development Co.,Ltd	–	100%	–	30,000	Property development
紹興寶業大坂綠園房地產開發有限公司 Shaoxing Baoye Daban Green Garden Real Estate Development Co., Ltd.	100%	–	–	100,000	Property development
寶業湖北建工集團有限公司 Baoye Hubei Construction Engineering Group Co., Ltd.	–	100%	–	1,000,000	Provision of construction services
湖北省建工第二建設有限公司 Hubei Construction Engineering No.2 Co., Ltd.	–	100%	–	181,800	Provision of construction services
湖北省建工第三建設有限公司 Hubei Construction Engineering No.3 Co., Ltd.	–	100%	–	50,800	Provision of construction services
湖北省建工第五建設有限公司 Hubei Construction Engineering No.5 Co., Ltd.	–	100%	–	110,000	Provision of construction services
湖北省建工機械施工有限公司 Hubei Engineering Machinery Construction Co., Ltd.	–	100%	–	50,000	Provision of construction services

9 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held Directly	Attributable equity interest held Indirectly	Proportion of ordinary shares held by non-controlling interests	Registered capital RMB'000	Principal activities
湖北省建工房地產開發有限公司 Hubei Construction Engineering Real Estate Development Co., Ltd.	–	100%	–	20,000	Property development
湖北寶業房地產開發有限公司 Hubei Baoye Real Estate Development Co., Ltd.	–	100%	–	50,000	Property development
安徽金糧置業有限公司 Anhui Jinliang Real Estate Company Limited	–	100%	–	10,000	Property development
合肥中寶機械製造有限公司 Hefei Zhongbao Machinery Manufacture Co., Ltd.	–	100%	–	40,000	Sales of machinery and fittings
蒙城寶業投資有限公司 Mengcheng Baoye Investment Co., Ltd (Note (a))	–	50%	50%	20,000	Property development
太和縣寶業投資有限公司 Taihe Baoye Investment Co., Ltd	–	55%	45%	20,000	Property development
浙江寶業現代建築工業化製造有限公司 Zhejiang Baoye Modern Building Industrial Manufacturing Co., Ltd	–	100%	–	367,770	Sales of new concrete prefabricated parts
浙江寶業建材科技有限公司 Baoye Building Materials Technology Company Limited	–	100%	–	20,000	Sales of construction materials
紹興寶業新橋江房地產開發有限公司 Shaoxing Baoye Xinqiaojiang Real Estate Development Co., Ltd	–	100%	–	100,000	Property development
麗水寶業現代房地產開發有限公司 Lishui Baoye Modern Real Estate Development Co., Ltd	–	100%	–	10,000	Property development

9 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held Directly	Attributable equity interest held Indirectly	Proportion of ordinary shares held by non-controlling interests	Registered capital RMB'000	Principal activities
六安寶業置業投資有限公司 Liuan Baoye Real Estate Investment Co., Ltd	–	70%	30%	10,000	Property development
浙江寶瑪裝配式建築設備製造有限公司 Zhejiang Baoma Prefabricated Construction Equipment Manufacturing Co., Ltd	–	98%	2%	50,000	Sales of steel, wood fireproof doors, and other wooden products
寧波廣弘房地產開發有限公司 Ningbo Guanghong Real Estate Development Co., Ltd	–	100%	–	1,000	Property development
蘇州寶嘉綠色建築產業發展有限公司 Anhui Baoye Property Management Co., Ltd	–	51%	49%	50,000	Sales of construction materials
蚌埠寶業建築科技有限公司 Bengbu Baoye Construction Technology Co., Ltd	–	100%	–	20,000	Sales of construction materials

(a) Although the Group owns 50% of the equity interest in Mengcheng Baoye Investment Co., Ltd ("Mengcheng Baoye"), it is able to gain power over two-third of the voting rights by virtue of an agreement with other investors. Consequently, the Group regards Mengcheng Baoye as a subsidiary.

(b) As at 31 December 2020 and 2019, there were no non-controlling interests material to the Group.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

(a) Investments in joint ventures

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

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

	2020 RMB'000	2019 RMB'000
Share of operating results	2,584	(4,460)
Recovery of impaired loans (Note 15(a))	–	284
	2,584	(4,176)

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

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

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investments in associates

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

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

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

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Unlisted equity investments at fair value:		
At 1 January	**228,197**	232,801
Fair value changes	**(5,629)**	(4,604)
At 31 December	**222,568**	228,197

The Group's financial assets at FVOCI represented a 10% equity interest in Shanghai Research Institute of Building Sciences Group ("SRIBSG") acquired in 2017 in the PRC.

The fair value of the Group's investment in SRIBSG was valued by the management based on market approach by reference to quoted market prices and recent transaction prices of similar deals.

The fair value measurement of the financial assets at FVOCI is categorised within level 3 of the fair value hierarchy.

12 INVENTORIES

	2020 RMB'000	2019 RMB'000
At cost:		
Raw materials	**136,388**	117,346
Work in progress	**59,103**	24,196
Finished goods	**93,163**	52,147
	288,654	193,689

The cost of inventories recognised as cost of sales amounted to RMB1,888,637,000 (2019: RMB2,578,261,000). No inventory provision was made as at 31 December 2020 and 2019.

13 PROPERTIES UNDER DEVELOPMENT

	2020 RMB'000	2019 RMB'000
Right-of-use for land	**8,135,668**	3,570,399
Development costs	**2,636,649**	1,347,463
Interest capitalised	**276,914**	157,694
	11,049,231	5,075,556

The carrying value of the properties under development was expected to be completed as follows:

	2020 RMB'000	2019 RMB'000
Within the normal operating cycle included under current assets		
– to be completed over one year	**6,724,518**	4,636,827
– to be completed within one year	**4,324,713**	438,729
	11,049,231	5,075,556

As at 31 December 2020, properties under development included the costs to fulfil those contracts with customers, revenue from which is recognised over time amounted to RMB270,000 (2019: RMB2,850,000).

Cost of sales for the year included RMB2,580,000 (2019: RMB51,384,000) of costs to fulfil those contracts with customers brought forward from prior year and revenue from which is recognised over time.

As at 31 December 2020, properties under development amounted to RMB4,791,724,000 (2019: RMB2,288,468,000) were pledged as security for the Group's bank borrowings (Note 23(a)).

14 COMPLETED PROPERTIES HELD FOR SALE

	2020 RMB'000	2019 RMB'000
Right-of-use for land	**732,541**	1,006,548
Development costs	**2,042,112**	2,194,503
Interest capitalised	**58,648**	71,957
	2,833,301	3,273,008
Less: provision of impairment	**(6,700)**	(7,444)
	2,826,601	3,265,564

The amount of completed properties held for sale was expected to be recovered within one year.

As at 31 December 2020, no completed properties held for sale (2019: RMB515,680,000) were pledged as security for the Group's bank borrowings (Note 23(a)).

15 TRADE AND OTHER RECEIVABLES

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

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Loans to joint ventures

	2020 RMB'000	2019 RMB'000
At 1 January	892,976	393,822
Additions	237,500	693,589
Interest accrued	20,500	15,563
Repayments	(463,794)	(210,282)
Recovery of impaired loans	–	284
	687,182	892,976
Less: provision for loss allowance (Note 3.1(b))	(7,600)	(9,217)
At 31 December	679,582	883,759
Less: current portion	(294,958)	(290,054)
Non-current portion	384,624	593,705

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

(b) Loans to associates

	2020 RMB'000	2019 RMB'000
At 1 January	244,176	639,995
Additions	–	4,000
Repayments	(6,031)	(402,868)
Interest accrued	–	3,049
	238,145	244,176
Less: provision for loss allowance (Note 3.1(b))	(2,381)	(2,442)
At 31 December	235,764	241,734
Less: current portion	(7,314)	(9,324)
Non-current portion	228,450	232,410

Loans to associates are unsecured and repayable on demand.

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Trade receivables

	2020 RMB'000	2019 RMB'000
Trade receivables	**4,330,627**	5,185,563
Less: provision for loss allowance (Note 3.1(b))	**(307,181)**	(271,589)
	4,023,446	4,913,974

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

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

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2020, a provision of RMB307,181,000 (2019: RMB271,589,000) was made against the gross amount of trade receivables (note 3.1(b)).

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

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Trade receivables (continued)

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

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

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

(d) Other receivables and prepayments

	2020 RMB'000	2019 RMB'000
Other receivables:		
– Retention money and project deposits	**906,292**	842,095
– Advances to project managers	**101,145**	150,618
– Bidding deposits for land use rights for property development	**–**	122,500
– Others	**457,871**	407,939
	1,465,308	1,523,152
Less: provision for loss allowance (Note 3.1(b))	**(7,440)**	(6,991)
	1,457,868	1,516,161
Prepayments:		
– Prepayments for land use rights for property development	**727,071**	2,542,875
– Prepaid income tax	**45,983**	99,346
– Others	**75,486**	86,492
	848,540	2,728,713
Other receivables and prepayments	**2,306,408**	4,244,874

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

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

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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
At 1 January	**566,486**	526,547
Additions	**753,600**	929,400
Fair value changes	**(1,734)**	(241)
Disposals	**(558,000)**	(889,220)
At 31 December	**760,352**	566,486

Financial assets at FVPL included the following:

	2020 RMB'000	2019 RMB'000
Non-current:		
– Listed equity securities – the PRC	**6,752**	8,486
Current:		
– Bank financial products (a)	**753,600**	558,000
	760,352	566,486

(a) The amount represented investments in financial products issued by banks with expected returns ranging from 2% to 4.25% per annum. The carrying values approximated their fair values. The fair values were determined based on the discounted cash flows of the investment principal amount and expected investment return and were within level 3 of the fair value hierarchy.

17 RESTRICTED BANK DEPOSITS

The restricted bank deposits mainly represented the deposits in designated accounts confined to be used for tender bidding or to guarantee the performance of certain construction contract work and construction of pre-sale properties.

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amounts of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such guarantee deposits will be released after the completion of construction of the related properties.

18 CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and bank deposits (i)	**9,097,624**	6,527,373
Less: Term deposits with initial term of over three months (ii)	**(282,157)**	(303,390)
Restricted bank deposits (Note 17)	**(1,553,935)**	(719,015)
	7,261,532	5,504,968

(i) Cash and deposits were denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
Denominated in:		
– RMB	**8,817,482**	6,239,799
– USD	**109,498**	243,262
– Other	**170,644**	44,312
	9,097,624	6,527,373

(ii) The weighted average interest rate as at 31 December 2020 of term deposits with initial term of over three months of the Group was 3.00% (2019: 3.45%).

19 SHARE CAPITAL AND PREMIUM

	Number of Shares (thousands of RMB1 each)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2019/31 December 2019 and 2020				
– Domestic shares	350,742	350,742	–	350,742
– H shares*	211,922	211,922	481,433	693,355
	562,664	562,664	481,433	1,044,097

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited.

20 OTHER RESERVES

	Financial assets fair value reserve RMB'000	Statutory surplus reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	400	214,073	(9,210)	205,263
Appropriation from retained earnings	–	7,486	–	7,486
Revaluation of financial assets at FVOCI (Note 11)	(4,604)	–	–	(4,604)
Revaluation-tax (Note 24)	1,151	–	–	1,151
At 31 December 2019	(3,053)	221,559	(9,210)	209,296
At 1 January 2020	(3,053)	221,559	(9,210)	209,296
Appropriation from retained earnings	–	4,136	–	4,136
Revaluation of financial assets at FVOCI (Note 11)	(5,629)	–	–	(5,629)
Revaluation-tax (Note 24)	1,407	–	–	1,407
Currency translation differences	–	–	(213)	(213)
At 31 December 2020	(7,275)	225,695	(9,423)	208,997

(a) Statutory surplus reserve

All PRC incorporated companies within the Group are required each year to transfer 10% of the profit after tax as reported in the PRC statutory accounts to the statutory surplus reserve until the balance reaches 50% of the registered share capital. This reserve can be used to reduce any losses incurred or to increase ordinary shares. Except for the reduction due to losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

21 RETAINED EARNINGS

	2020 RMB'000	2019 RMB'000
At 1 January	**7,936,651**	7,087,446
Profit for the year	**794,084**	856,691
Transfer of statutory surplus reserves	**(4,136)**	(7,486)
At 31 December	**8,726,599**	7,936,651

As at 31 December 2020, included in retained earnings of the Group, RMB981,353,000 (2019: RMB835,884,000) was surplus reserve of subsidiaries attributable to the Company, of which RMB145,469,000 (2019: RMB130,795,000) was appropriated for the current year.

22 TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**8,109,165**	7,463,614
Other payables	**7,311,064**	5,318,181
	15,420,229	12,781,795

(a) Trade payables

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

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

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

22 TRADE AND OTHER PAYABLES (CONTINUED)

(b) Other payables

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

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

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

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

23 BANK AND OTHER BORROWINGS

	2020 RMB'000	2019 RMB'000
Non-current liabilities		
Long-term bank borrowings		
– Secured (a)	**1,767,370**	1,660,230
– Unsecured with guarantee (b)	**81,175**	77,530
Asset-backed securities		
– Secured (c)	**550,000**	550,000
	2,398,545	2,287,760
Less: current portion	**(178,845)**	(326,760)
	2,219,700	1,961,000
Current liabilities		
Short-term bank borrowings		
– Secured (a)	**49,700**	271,000
– Unsecured with guarantee (b)	**1,956,110**	2,226,929
– Guaranteed by companies within the Group	**199,500**	14,000
– Unsecured	**50,000**	–
Current portion of non-current liabilities	**178,845**	326,760
	2,434,155	2,838,689
	4,653,855	4,799,689

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

	2020 RMB'000	2019 RMB'000
Properties under development	**4,791,724**	2,288,468
Right-of-use for land	**483,252**	99,829
Investment properties	**610,871**	612,337
Property, plant and equipment	**201,865**	236,013
Completed properties held for sale	**–**	515,680
	6,087,712	3,752,327

23 BANK AND OTHER BORROWINGS (CONTINUED)

(b) These loans were guaranteed by:

	2020 RMB'000	2019 RMB'000
The Company	1,856,600	2,191,429
The Company and non-controlling interests (jointly)	81,175	63,030
Mr. Pang Baogen and the Company (jointly)	–	50,000
Others	99,510	–
	2,037,285	2,304,459

(c) In 2019, the Company entered into an asset-backed securities ("ABS") program and pursuant to which, the Company raised debt financing externally at a sum of RMB550,000,000 from the ABS holders, which are divided into (i) the Senior Class A Securities in the amount of RMB400,000,000; and (ii) the Senior Class B Securities in the amount of RMB150,000,000. The ABS have a tenor of 18 years with a redemption window every 3 years. The coupon rates fixed for the first three years of the term of the Senior Class A Securities and Senior Class B Securities are 5.9% and 6.1% per annum, respectively, and are subject to the Company's right to adjust at the end of every three years of the term of the ABS commencing from the date of issue. The ABS are collateralised by certain investment properties of the Group amounting to RMB610,873,000 as at 31 December 2020.

(d) The weighted average interest rate of borrowings was 4.43% (2019: 4.79%). The fair values of the respective borrowings approximated their carrying amounts. All the carrying amounts of the borrowings were denominated in RMB.

(e) The borrowings were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	2,434,155	2,838,689
Between 1 and 2 years	725,750	231,000
Between 2 and 5 years	689,200	1,491,000
Over 5 years	804,750	239,000
	4,653,855	4,799,689

23 BANK AND OTHER BORROWINGS (CONTINUED)

(f) The exposure of borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	2020 RMB'000	2019 RMB'000
6 months or less	**1,544,598**	1,986,860
Between 6 and 12 months	**1,663,807**	1,300,830
Between 1 and 5 years	**1,445,450**	1,511,999
	4,653,855	4,799,689

24 DEFERRED INCOME TAX

The amounts shown in the balance sheet included the following:

	2020 RMB'000	2019 RMB'000
Deferred income tax assets:		
– To be recovered after more than 12 months	**116,420**	144,042
– To be recovered within 12 months	**136,998**	129,055
	253,418	273,097
Deferred income tax liabilities:		
– To be settled after more than 12 months	**(99,231)**	(113,081)
– To be settled within 12 months	**(52,304)**	(66,853)
	(151,535)	(179,934)

24 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year was as follows:

Deferred income tax assets

	Impairment of assets RMB'000	Unrealised profit resulting from intragroup transactions RMB'000	Pre-paid income tax RMB'000	Recognition of revenue over time RMB'000	Total RMB'000
At 1 January 2019	64,760	60,496	127,891	(15,923)	237,224
Recognised in the income statement	18,210	60	6,164	11,439	35,873
At both 31 December 2019 and 1 January 2020	**82,970**	**60,556**	**134,055**	**(4,484)**	**273,097**
Recognised in the income statement	**12,383**	**14,885**	**(49,771)**	**2,824**	**(19,679)**
At 31 December 2020	**95,353**	**75,441**	**84,284**	**(1,660)**	**253,418**

Deferred income tax liabilities

	Fair value changes on financial assets RMB'000	Fair value adjustment on assets upon acquisition RMB'000	Interest capitalised RMB'000	Fair value changes on investment properties RMB'000	Recognition of revenue over time RMB'000	Total RMB'000
At 1 January 2019	(1,818)	(8,242)	(39,435)	(47,509)	(46,396)	(143,400)
Recognised in the income statement	60	272	(20,313)	(8,642)	(9,062)	(37,685)
Recognised in other comprehensive income	1,151	–	–	–	–	1,151
At both 31 December 2019 and 1 January 2020	**(607)**	**(7,970)**	**(59,748)**	**(56,151)**	**(55,458)**	**(179,934)**
Recognised in the income statement	**434**	**272**	**(19,385)**	**(7,996)**	**53,667**	**26,992**
Recognised in other comprehensive income	**1,407**	**–**	**–**	**–**	**–**	**1,407**
At 31 December 2020	**1,234**	**(7,698)**	**(79,133)**	**(64,147)**	**(1,791)**	**(151,535)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of losses amounting to RMB573,910,000 (2019: RMB430,267,000) that can be carried forward against future taxable income. These tax losses will expire up to and including year 2025 (2019: 2024).

25 OTHER INCOME

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

26 OTHER GAINS – NET

	2020 RMB'000	2019 RMB'000
Government grants and compensation	**40,397**	25,838
Gains on disposal of financial assets at FVPL	**19,610**	22,613
Gains on disposal of an associate	**–**	48,470
Fair value losses of investment properties	**(1,466)**	(2,688)
Fair value losses of financial assets at FVPL	**(1,734)**	(241)
(Losses)/gains on disposal of property, plant and equipment	**(10,517)**	6,635
(Losses)/gains on disposal of subsidiaries (Note 36)	**(13,133)**	5,667
Donations	**(7,825)**	(5,492)
Net foreign exchange (losses)/gains	**(10,642)**	4,721
Others	**9,006**	29,493
	23,696	135,016

27 EXPENSES BY NATURE

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

	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment (Note 6)	**211,571**	163,894
Depreciation of right-of-use assets (Note 7)	**26,243**	25,163
Employee benefit expenses (Note 28)	**5,321,497**	4,972,992
Cost of construction contracts	**15,075,142**	14,140,874
Cost of properties sold	**1,022,471**	1,198,907
Reversal of impairment on completed properties held for sale	**(744)**	(395)
Changes in inventories of finished goods and work in progress	**(75,923)**	27,192
Raw materials and consumables used	**1,964,560**	2,551,069
Operating leases of buildings	**3,558**	6,195
Compensation to property purchasers and employees	**–**	2,524
Auditors' remuneration		
– Audit services	**3,950**	3,950
– Non-audit services	**400**	120
Others	**487,449**	435,333
	24,040,174	23,527,818

28 EMPLOYEE BENEFIT EXPENSES

	2020 RMB'000	2019 RMB'000
Wages and salaries	**5,222,174**	4,857,778
Welfare, medical and other expenses	**76,995**	68,974
Retirement benefit costs – defined contribution plans (a)	**22,328**	46,240
	5,321,497	4,972,992

(a) Retirement benefit costs

As stipulated by the Government regulations in the PRC, the Group is required to contribute to the state-sponsored retirement scheme for all of its employees in the PRC at 18% to 20% (2019: 18% to 20%) of the eligible salary of its employees on a monthly basis. The state-sponsored retirement scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the monthly contributions.

28 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals

For the year ended 31 December 2020, the five individuals whose emoluments were the highest in the Group for the year were all executive directors (2019: 5 executive directors), whose emoluments are reflected in the analysis presented in Note 39.

29 FINANCE COSTS – NET

	2020 RMB'000	2019 RMB'000
Finance costs:		
Interests on bank and other borrowings and lease liabilities	**255,331**	235,579
Less: interest capitalised in properties under development	**(148,315)**	(115,925)
Less: interest capitalised in constructions in progress	**(20,685)**	(14,945)
	86,331	104,709
Net foreign exchange losses/(gains)	**10,566**	(12)
	96,897	104,697
Finance income:		
Interest income from financial assets held for cash management purposes	**(11,247)**	(5,505)
Finance costs – net	**85,650**	99,192

The capitalisation rate applied to funds borrowed generally and used for the development of properties was approximately 4.68% (2019: 4.79%) per annum.

30 INCOME TAX EXPENSES

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

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

30 INCOME TAX EXPENSES (CONTINUED)

(a) Hong Kong profits tax

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

(b) PRC corporate income tax

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

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

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

(c) PRC land appreciation tax

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

The tax on the Group's profit before tax differed from the theoretical amount that would arise using the PRC income tax rate as follows:

	2020 RMB'000	2019 RMB'000
Profit before income tax	**1,294,509**	1,371,639
Add: share of results of joint ventures	**(2,584)**	4,176
share of results of associates	**14,754**	8,655
	1,306,679	1,384,470
Calculated at a tax rate of 25% (2019: 25%)	**326,670**	346,118
Effects of different tax rates applicable to different subsidiaries of the Group	**(7,620)**	(6,884)
Income not subject to tax	**(6,340)**	(3,869)
Expenses not deductible for tax purposes	**5,070**	3,121
Unrecognised tax losses	**51,091**	28,255
Utilisation of previously unrecognised tax losses	**(12,296)**	(2,564)
Land appreciation tax deductible for CIT purpose	**(35,375)**	(31,818)
	321,200	332,359
PRC land appreciation tax	**141,498**	127,273
Income tax expenses	**462,698**	459,632

31 EARNINGS PER SHARE

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

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

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

32 DIVIDENDS

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

33 CASH FLOW INFORMATION

(a) Cash generated from operations

	2020 RMB'000	2019 RMB'000
Profit for the year	**831,811**	912,007
Adjustments for:		
Income tax expenses (Note 30)	**462,698**	459,632
Depreciation of property, plant and equipment (Note 6)	**211,571**	163,894
Depreciation of right-of-use assets (Note 7)	**26,243**	25,163
Net impairment losses on financial and contract assets	**49,532**	72,839
Reversal of impairment on completed properties held for sale	**(744)**	(395)
Losses/(gains) on disposal of property, plant and equipment (Note 26)	**10,517**	(6,635)
Gains on disposal of an associate (Note 26)	**–**	(48,470)
Fair value losses on investment properties (Note 26)	**1,466**	2,688
Fair value losses of financial assets at FVPL (Note 26)	**1,734**	241
Gains on disposal of financial assets at FVPL (Note 26)	**(19,610)**	(22,613)
Losses/(gains) on disposal of subsidiaries (Note 26)	**13,133**	(5,667)
Interest income (Note 25)	**(182,886)**	(149,890)
Share of results of joint ventures (Note 10(a))	**(2,584)**	4,176
Share of results of associates (Note 10(b))	**14,754**	8,655
Changes in working capital (excluded the effect of disposal of subsidiaries):		
Properties under development and completed properties held for sale	**(7,223,186)**	(1,553,278)
Restricted bank deposits	**(834,920)**	(90,530)
Inventories	**(100,977)**	18,453
Contract assets	**(1,688,628)**	(150,706)
Trade and other receivables	**3,702,926**	(1,304,120)
Contract liabilities	**4,413,631**	422,753
Trade and other payables	**3,091,035**	1,949,837
Cash generated from operations	**2,777,516**	708,034

33 CASH FLOW INFORMATION (CONTINUED)

(b) Disposals of property, plant and equipment and right-of-use assets comprised:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment		
Net book amounts (Note 6)	**57,278**	65,780
(Losses)/gains on disposals (Note 26)	**(10,517)**	6,635
Proceeds	**46,761**	72,415

(c) Net cash reconciliation

Table below presents an analysis of net cash and the movements in net cash during 2020 and 2019.

	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	**7,261,532**	5,504,968
Term deposits with initial term of over three months	**282,157**	303,390
Restricted bank deposits	**1,553,935**	719,015
Borrowings – repayable within one year	**(2,434,155)**	(2,838,689)
Borrowings – repayable after one year	**(2,219,700)**	(1,961,000)
Net cash	**4,443,769**	1,727,684
Cash and bank balances	**9,097,624**	6,527,373
Gross debt – fixed interest rates	**(3,798,680)**	(3,974,689)
Gross debt – variable interest rates	**(855,175)**	(825,000)
Net cash	**4,443,769**	1,727,684

33 CASH FLOW INFORMATION (CONTINUED)

(d) The reconciliation of liabilities arising from financial activities was as follows:

	Borrowings RMB'000	Other payables – loans from non-controlling interests RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2019	2,299,487	899,264	16,939	3,215,690
Cash flows				
– Inflow/(outflow) from financial activities	2,567,269	(73,077)	(7,419)	2,486,773
Acquisition of new lease contracts	–	–	230	230
Disposal of subsidiaries	(67,067)	–	–	(67,067)
At 31 December 2019	**4,799,689**	**826,187**	**9,750**	**5,635,626**
At 1 January 2020	**4,799,689**	**826,187**	**9,750**	**5,635,626**
Cash flows				
– (Outflow)/inflow from financial activities	**(145,834)**	**445,125**	**(7,586)**	**291,705**
At 31 December 2020	**4,653,855**	**1,271,312**	**2,164**	**5,927,331**

34 FINANCIAL GUARANTEES

	2020 RMB'000	2019 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	**1,664,673**	410,222

The Group had issued performance guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by the Group. The banks will release such guarantees upon the delivery of the building ownership certificates of related properties to the banks as securities.

35 COMMITMENTS

(a) Commitments for capital expenditure

	2020 RMB'000	2019 RMB'000
Contracted but not provided for Property, plant and equipment	**228,008**	227,262

(b) Operating lease commitments – where the Group is the lessor

As at 31 December 2020, the Group had future aggregate minimum lease receivable under non-cancellable operating leases in respect of investment properties, building and plants, and machinery, details of which were as follows:

	2020 RMB'000	2019 RMB'000
Not later than 1 year	**120,619**	152,115
Later than 1 year and not later than 5 years	**273,401**	219,975
Later than 5 years	**56,830**	57,484
	450,850	429,574

The Group leased investment properties, building, plants and machinery and completed properties held for sale under various agreements which will terminate between 2021 and 2035. The agreements do not include any extension option.

(c) Commitments for investments

	2020 RMB'000	2019 RMB'000
Investments in and loans to joint ventures	**132,420**	115,000
Investments in and loans to associates	**251,874**	251,874
	384,294	366,874

36 DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its 100% equity interest in Hubei Construction Engineering Concrete Products Co., Ltd. ("Hubei Concrete"), and as a result of which the Group relinquished control over Hubei Concrete. Details of the disposal are as follows:

	RMB'000
Disposal considerations	
– Cash received	**11,107**
Less: total net assets of subsidiaries disposed of	**(24,240)**
Loss on disposal (Note 26)	**(13,133)**
Cash proceeds from disposal, net of cash disposed of	
– Cash consideration received	**11,107**
– Less: cash and cash equivalents in the subsidiaries disposed of	**(4,652)**
Net cash inflow on disposal	**6,455**

37 RELATED-PARTY TRANSACTIONS

Save as disclosed above, the Group had the following transactions and balances with related parties:

(a) Transactions with joint ventures

	2020 RMB'000	2019 RMB'000
Sales of goods	95,900	75,917
Provide construction services	227,346	–
Rental income	3,310	3,492
Purchase of building materials	189,029	155,963
Purchase of technical consulting services	8,369	5,044

(b) Key management compensation

Key management of the Group include the directors and supervisors, whose compensation has been disclosed in Note 39.

(c) Balances with joint ventures

	2020 RMB'000	2019 RMB'000
Trade receivables	45,978	15,757
Trade payables	36,681	53,774

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**13,429**	15,215
Right-of-use assets		**3,464**	3,698
Investments in subsidiaries		**2,024,156**	2,023,166
Investments accounted for using the equity method		**170,261**	209,490
Financial assets at fair value through other comprehensive income		**222,568**	228,197
		2,433,878	2,479,766
Current assets			
Other receivables and prepayments		**41,968**	26,377
Deferred income tax assets		**2,425**	1,018
Loans to joint ventures		**245,109**	218,216
Cash and cash equivalents		**727,855**	4,170
		1,017,357	249,781
Total assets		**3,451,235**	2,729,547
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium		**1,044,097**	1,044,097
Other reserves	(a)	**356,890**	218,506
Retained earnings	(a)	**850,975**	813,755
Total equity		**2,251,962**	2,076,358
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**1,150,140**	645,382
Other payables		**43,237**	1,911
Current income tax liabilities		**5,896**	5,896
Total liabilities		**1,199,273**	653,189
Total equity and liabilities		**3,451,235**	2,729,547

The balance sheet of the Company was approved by the Board of Directors on 26 March 2021 and was signed on its behalf.

Mr. Pang Baogen
Director

Mr. Gao Jiming
Director

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Other reserve and retained earnings movements of the Company

	Other reserves		Retained earnings	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**218,506**	214,473	**813,755**	746,384
Profit for the year	**–**	–	**41,356**	74,857
Disposal of a subsidiary	**138,470**	–	**–**	–
Transfer to statutory surplus reserve	**4,136**	7,486	**(4,136)**	(7,486)
Revaluation of financial assets at FVOCI, net of tax (Note 11)	**(4,222)**	(3,453)	**–**	–
At 31 December	**356,890**	218,506	**850,975**	813,755

39 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors', supervisors' and chief executive's emoluments

The remuneration of each director and supervisor for the year ended 31 December 2020 was set out below:

	Fees RMB'000	Salaries, bonuses and allowances RMB'000	Contribution to a retirement benefit scheme RMB'000	Total RMB'000
Chairman				
Mr. Pang Baogen (i)	100	1,400	–	1,500
Executive directors				
Mr. Gao Lin	100	1,000	23	1,123
Mr. Gao Jiming	100	800	12	912
Mr. Gao Jun	100	800	17	917
Mr. Jin Jixiang	100	800	12	912
Non-executive directors				
Mr. Fung Ching, Simon	216	–	–	216
Independent non-executive directors				
Mr. Chan Yin Ming, Dennis	216	–	–	216
Mr. Li Wangrong	50	–	–	50
Ms. Liang Jing	50	–	–	50
Supervisors				
Mr. Kong Xiangquan	–	260	–	260
Mr. Xu Gang	–	500	12	512
Mr. Wang Jianguo	–	500	15	515
Mr. Zhang Xindao	50	–	–	50
Mr. Xiao Jianmu	50	–	–	50
	1,132	6,060	91	7,283

39 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (continued)

The remuneration of each director and supervisor for the year ended 31 December 2019 was set out below:

	Fees RMB'000	Salaries, bonuses and allowances RMB'000	Contribution to a retirement benefit scheme RMB'000	Total RMB'000
Chairman				
Mr. Pang Baogen (i)	100	1,400	–	1,500
Executive directors				
Mr. Gao Lin	100	1,000	18	1,118
Mr. Gao Jiming	100	800	11	911
Mr. Gao Jun	100	800	12	912
Mr. Jin Jixiang	100	800	11	911
Non-executive directors				
Mr. Fung Ching, Simon	216	–	–	216
Independent non-executive directors				
Mr. Chan Yin Ming, Dennis	216	–	–	216
Mr. Li Wangrong	50	–	–	50
Ms. Liang Jing	50	–	–	50
Supervisors				
Mr. Kong Xiangquan	–	260	–	260
Mr. Xu Gang	–	500	11	511
Mr. Wang Jianguo	–	500	14	514
Mr. Zhang Xindao	50	–	–	50
Mr. Xiao Jianmu	50	–	–	50
	1,132	6,060	77	7,269

(i) Mr. Pang Baogen is the Chairman of the Board, as well as the chief executive of the Group.

(ii) No emoluments was paid or receivable in respect of directors' and supervisors' other services in connection with the management of the Company or its subsidiary undertaking during the year.

During the years ended 31 December 2020 and 2019, no director and supervisor waived any emoluments. Neither incentive payment for joining the Group nor compensation for loss of office was paid or payable to any directors and supervisors during the years ended 31 December 2020 and 2019.

Salary paid to a director of the Company is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries.

39 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(b) Directors' and supervisors' retirement benefits

No retirement benefits was paid to or receivable by directors and supervisors during the year by the Group.

(c) Directors' and supervisors' termination benefits

No director's and supervisor's termination benefit subsisted at the end of the year or at any time during the year.

(d) Consideration provided to third parties for making available directors' and supervisors' services

No consideration provided to third parties for making available directors' and supervisors' services subsisted at the end of the year or at any time during the year.

(e) Information about loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors

No loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors subsisted at the end of the year or at any time during the year.

(f) Directors' and supervisors' material interests in transactions, arrangements or contracts

Save as disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

GLOSSARY

In this annual 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 of the Company
Building Materials Business	The activities of research and development, production and sale of building materials conducted by the Group
CG Code	The Corporate Governance Code contained in Appendix 14 to the Listing Rules
Company Law	Company Law of the People's Republic of China
Construction Business	The activities of undertaking and implementation of construction projects conducted by the Group
Director(s)	The director(s) of the Company
H share	Overseas listed foreign share of nominal value RMB1.00 each in the registered capital of the Company, which are listed on the Stock Exchange and subscribed for in HK dollars
HKAS	Hong Kong Accounting Standard
HKEx	Hong Kong Exchanges and Clearing Limited
HKFRS	Hong Kong Financial Reporting Standards
Hubei Baoye	Baoye Hubei Construction Group Company Limited, a subsidiary of the Company

Listing Rules	The Rules governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
Property Development Business	The activities of development of real estate conducted by the Group
SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
Stock Exchange	The Stock Exchange of Hong Kong Limited
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

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