

## BAOYE GROUP COMPANY LIMITED

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

Stock Code: 2355

# 2022

## INTERIM REPORT



# OUR MISSION

From Construction to Manufacturing  
leads construction industry towards  
industrialisation in China



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# CORPORATE PROFILE

## BUSINESS STRUCTURE



BAOYE GROUP COMPANY LIMITED

### CONSTRUCTION BUSINESS

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

### PROPERTY DEVELOPMENT BUSINESS

- Shaoxing "Baoye Four Seasons Garden"
- Shaoxing "Daban Green Garden"
- Shaoxing "Yunxili"
- Hangzhou "Fengyue Shangzhu"
- Lishui "Xishan Yueyuan"
- Lishui "Weicun Project"
- Ningbo "Baoye Phoenix One"
- Shanghai "Baoye Active Hub"
- Shanghai "Baoye Qingchunli"
- Shanghai "Baoye Active Paradise"
- Wuhan "Xingyufu"
- Wuhan "Huangpi Phoenix City"
- Mengcheng "Shidai Green Garden"
- Mengcheng "Binghe Green Garden"
- Taihe "Yinghe Green Garden"
- Taihe "Jiangnan Fu"
- Kaifeng "Baoye Longhu Yucheng"
- Lu'an "Baoye Junyue Green Garden"
- Zhengzhou "Zhengzhou Project"
- Sixian "Sizhou Green Garden"
- Sixian "Xuefu Green Garden"
- Lu'an "Yeji Jiangnan Fu"
- Bozhou "Qinglan Green Garden"

### BUILDING MATERIALS BUSINESS

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

## BUSINESS NETWORK

### CONSTRUCTION BUSINESS

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

### PROPERTY DEVELOPMENT BUSINESS

- Zhejiang
- Shanghai
- Hubei
- Anhui
- Henan

### BUILDING MATERIALS BUSINESS

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



# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

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

### Non-executive Director

Mr. Fung Ching, Simon

### Independent

#### Non-executive Directors

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

## SUPERVISORS

### 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

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Zhong Tian LLP  
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Post Code: 518001

## LEGAL ADVISERS

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## H SHARE REGISTRAR

Tricor Tengis Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
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

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Yangxunqiao Subdistrict  
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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

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Southern Commercial Building,  
11 Luard Road  
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## AUTHORISED REPRESENTATIVES

Mr. Pang Baogen  
Mr. Gao Jiming

## STOCK CODE

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## WEBSITE

www.baoyegroup.com

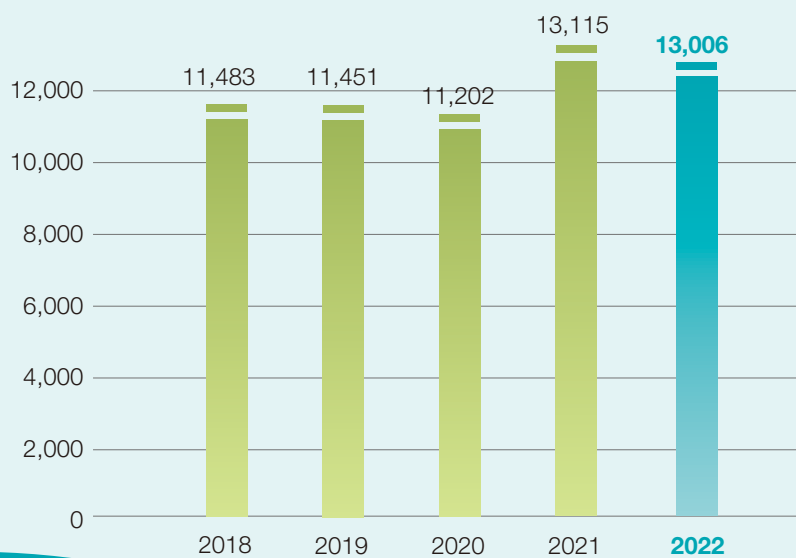
# FINANCIAL HIGHLIGHTS

	For the six months ended/As at 30 June				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
<b>Results</b>					
Revenue	13,005,950	13,114,524	11,201,994	11,450,605	11,483,063
Profit Attributable to the Owners of the Company	241,796	335,479	298,105	331,146	439,202
Earnings per Share (RMB yuan)	0.44	0.60	0.53	0.59	0.76
<b>Assets and Liabilities</b>					
Total Assets	49,141,608	45,721,111	37,802,012	32,200,784	27,511,556
Total Liabilities	37,637,855	34,883,382	27,903,164	23,282,738	19,414,756
Total Equity	11,503,753	10,837,729	9,898,848	8,918,046	8,096,800

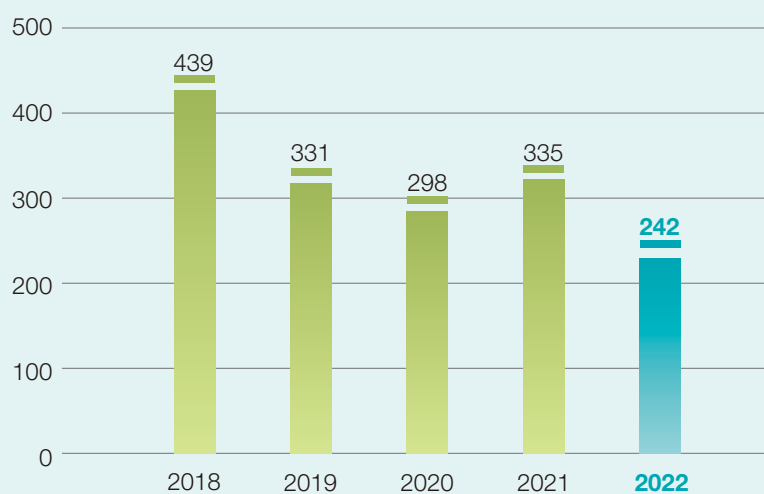
## KEY FINANCIAL RATIOS

	For the six months ended/As at 30 June	
	2022	2021
Return on Equity	2.20%	3.22%
Net Assets Value per Share (RMB yuan)	20.40	18.56
Net Cash Ratio	50%	47%
Current Ratio	1.16	1.23
Net Cash Inflow from Operating Activities (RMB'000)	594,703	9,528

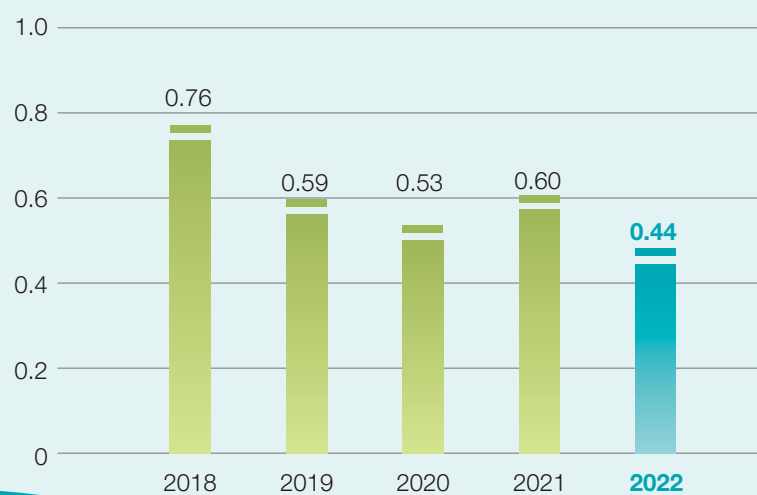
## Financial Highlights

**REVENUE**

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

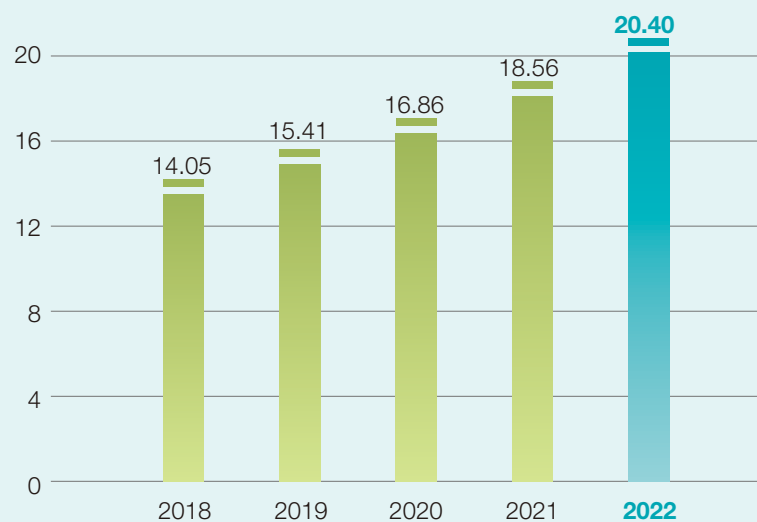
**PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

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



### EARNINGS PER SHARE

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



### NET ASSETS VALUE PER SHARE

(in RMB)  
(As at 30 June)





# MANAGEMENT DISCUSSION AND ANALYSIS



# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS REVIEW

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

## SEGMENT OPERATING RESULTS

### Revenue

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

### Operating Profit

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

## Management Discussion and Analysis



### Construction Business

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

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



## Management Discussion and Analysis

## Property Development Business

### Property Sales

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

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

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

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





## Management Discussion and Analysis

### Projects under Development

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

Project Name	Location	Total Floor Area Under Development (Sqms)	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	300,000	100%
Daban Green Garden	Shaoxing	145,700	100%
Xialv Project.Yunxili	Shaoxing	214,970	60%
Fengyue Shangzhu	Hangzhou	49,497	100%
Baoye Xishan Yueyuan	Lishui	116,905	100%
Lishui Weicun Project	Lishui	127,942	100%
Baoye Phoenix One	Ningbo	84,005	100%
Baoye Active Hub	Shanghai	75,204	100%
Baoye Qingchunli	Shanghai	36,289	100%
Baoye Active Paradise	Shanghai	65,001	100%
Xingyu Fu	Wuhan	187,747	100%
Huangpi Phoenix City	Wuhan	102,015	100%
Shidai Green Garden	Mengcheng	149,994	60%
Binghe Green Garden	Mengcheng	Under planning	100%
Yinhe Green Garden	Taihe	209,185	100%
Taihe Jiangnan Fu	Taihe	68,654	100%
Baoye Longhu Yucheng	Kaifeng	300,598	60%
Baoye Junyue Green Garden	Lu'an	216,407	100%
Zhengzhou Project	Zhengzhou	Under planning	51%
Sizhou Green Garden	Sixian	217,323	100%
Xuefu Green Garden	Sixian	Under planning	100%
Yeji Jiangnan Fu	Lu'an	98,451	70%
Qinglan Green Garden	Bozhou	Under planning	51%

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a “province-rank” resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilization flourished. As the origin of many myths and folklores, this area has not only profound cultural tradition but also a large number of historical heritages. Being only 5 kilometres from the downtown of Shaoxing City, it is known as the “natural treasure in the heart of a city”. Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres and a planned gross floor area of approximately 650,000 square metres for the development of deluxe villas, semi-detached villas and town houses, all fully equipped with supporting facilities, such as a golf club, a five-star resort hotel, two leisure parks, a sport park, a shopping arcade, a kindergarten and a central lakeside garden. Phase I has had a few units of house for sale. Phase II of approximately 300,000 square meters is currently under planning. The presales of the first-batch of terrace houses, semi-detached houses and villas have begun presale. The presale results was good.

## Management Discussion and Analysis

Daban Green Garden, located in Keqiao District, Shaoxing City, Zhejiang Province, has a site area of 80,945 square meters and a plot ratio of 1.8. The above ground building area is about 145,700 square metres, and the underground building area is about 100,000 square metres. The project will be built in a prefabricated method and fully and well decorated. The project is very close to the Banhu Lake and the railway station of Hangzhou and Shaoxing. It enjoys well-developed facilities of convenient transportation, scenic environment, hospitals, schools and shopping malls. The project will be a landmark of residential building in the Banhu area of Keqiao. Sales began in May 2020 and the project was sought after by the market. The project will be delivered to owners in the first half of 2023.

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

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

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

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

Baoye Phoenix One is located in Ningbo City, Zhejiang Province. The Group obtained it through a judicial auction in August 2020 at a total consideration of RMB332,952,898. The project has a total site area of 26,958 square meters and a saleable area of 84,005 square meters. The project is composed of apartments and offices surrounded by convenient transportation and mature supporting facilities. The project will become a new generation of urban center integrating youth creativity, business office, ecological livability, and urban parks. The project started presale in May 2021, and the presale result has been good. Currently only some remaining units are left for presale.

Baoye Active Hub, located at the south of Guanyun Road, Qingpu District, Shanghai City, is very close to the Dianshanhu Road Station of Line 17. The project has a site area of approximately 38,649 square meters, and a gross floor area of approximately 75,204 square meters with a plot ratio of 1.5. The Group acquired the land use rights at a total consideration of RMB913,630,000 in September 2019. This project has residential and commercial parts, and is positioned as a construction art appealing to architecture and construction in the future. The project will be built as a landmark with green, healthy, intelligent, civilized and artificial and artistic characteristics. The project has been basically sold out, and will be delivered in the second half of 2022.



## Management Discussion and Analysis

Baoye Qingchunli is located in Qingcun Town, Fengxian District, Shanghai. The project covers a site area of approximately 13,102 square meters with a gross floor area of 36,289 square meters and a plot ratio of 1.8. The Group obtained this parcel of land use right at a total consideration of RMB312,000,000 in November 2020. The project will be built with a new industrialized prefabricated assembly technology, using the world's leading brand, German Vollert fully imported production line, and will be delivered with an overall refined decoration. Currently the project is under presale.

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

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

Huangpi Phoenix City, located in Huangpi District, Wuhan City, Hubei Province, has a gross floor area of approximately 102,015 square meters, including approximately 74,409 square meters of saleable residential area and some commercial units and parking areas. A subsidiary of the Company holds 100% equity of the project company by acquisition of the 40% equity held by the project partner. The project started presale at the end of 2020 and is still under presale currently.

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

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

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

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

## Management Discussion and Analysis

Baoye Longhu Yucheng is located in a prime area of Eastern New City, Kaifeng County, Henan Province. It has a total site area of approximately 648,000 square metres and an estimated gross floor area of approximately 972,000 square metres. After completion, it will become the city's new business centre and leisure centre. The project will be developed in five phases. Among them, the first and the second group have been delivered to owners. Only some remaining units are under presale. Currently, the third group is under presale.

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

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

Sizhou Green Garden is located in the Economic Development Zone of Sixian County, Suzhou City, Anhui Province. In May 2019, the Group acquired the land parcel A and B with a total site area of approximately 46,888 square meters and a gross floor area of approximately 124,907 square meters at a total consideration of RMB113,500,000 through public auction. In April 2020, the Group acquired the land parcel C with a total site area of approximately 42,007 square meters at a total consideration of RMB107,120,000 through public auction. This project enjoys well-developed facilities, convenient transportation and education resources. The land parcel B had been delivered in 2021 while the land parcel A is expected to be delivered at the end of 2022. The land parcel C is under construction of which four buildings are under presale.

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

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

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



## Management Discussion and Analysis

## New Land Reserve

Time table	Location	Cost (RMB'000)	Land area (Sqms)	Equity
May, 2022	Mengcheng County, Bozhou City, Anhui Province	240,990	76,503	100%
June, 2022	Lishui City, Zhejiang Province	270,000	45,949	100%

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

## Building Materials Business

For the six months ended 30 June 2022, the revenue of the Group's building materials business was approximately RMB1,004,485,000, a slight decrease of approximately 5% compared to the same period last year; operating profit was approximately RMB60,344,000, which represents a significant increase of approximately 44% over the same period last year. The higher-margin building materials segment generated more revenue during the period, while the lower-margin segment generated less revenue.

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

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

## BUSINESS PROSPECT

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

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

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

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

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



## Management Discussion and Analysis

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

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

## **FINANCIAL REVIEW**

### **Financial Policies**

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

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

### **Financial Resources and Liabilities**

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People’s Bank of China. Such excellent credit rating will benefit the Group’s financing activities and allow the Group to continue to enjoy the prime rate offered by the banks. During the period under review, the Group maintained part of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 37.4% (corresponding period of 2021: 52.9%) of the total borrowings. In addition, approximately 54.9% of the total borrowings (corresponding period of 2021: 42.6%) were guaranteed by the Company; approximately 1.7% of the total borrowings (corresponding period of 2021: 1.6%) were jointly guaranteed by the Company and non-controlling interests to the lending banks. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

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

## Management Discussion and Analysis

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resource to expand its business. As at 30 June 2022, the untapped banking facilities of the Group amount to approximately RMB7 billion.

Details of which are analysed below:

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

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

## Other Key Financial Ratios

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

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

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

Current ratio = current assets/current liabilities

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



## Management Discussion and Analysis

### Cash Flow Analysis

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

#### Notes:

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

### Administrative Expenses

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

### Finance Costs – Net

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

### Income Tax Expenses

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

## Management Discussion and Analysis

**Financial Guarantees**

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

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

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

As at 30 June 2022, right-of-use for land, property, plant and equipment, investment properties, restricted bank deposits and properties under development with an aggregate carrying value of approximately RMB5,336,166,000 (as at 31 December 2021: RMB6,217,914,000) were pledged to banks as security in securing bank borrowings.

**Capital Expenditure Plan**

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

**Fluctuation of RMB Exchange Rate and Foreign Exchange Risks**

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

**Dividends**

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2022 (corresponding period of 2021: Nil).



# CORPORATE GOVERNANCE

The Group is committed to establishing an efficient, orderly and transparent corporate governance mechanism. Since its listing, the Company strives to comply with the Company Law of the PRC, the Listing Rules, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”) and other relevant laws and regulations and will regularly review the corporate management activities to enhance corporate value so as to ensure a sustainable development of the Company and to maximise shareholders’ returns.

## CORPORATE GOVERNANCE PRACTICES

As at the date of this report, the Company has complied with all the code provisions as set out in the CG Code, except for deviation from provisions of the CG Code as mentioned below:

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

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

## BOARD OF DIRECTORS

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, assess risk reasonably, improve and review the Group’s policies and practices on corporate governance and delegate the daily operations of the Company to the executive Directors or the management. The Board is committed to making the best interests of both the Company and its shareholders.

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## BOARD COMMITTEES

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



## AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company consists (the “Audit Committee”) of two independent non-executive Directors, namely, Mr. Chan, Dennis Yin Ming and Mr. Li Wangrong and one non-executive Director, Mr. Fung Ching, Simon, with Mr. Chan, Dennis Yin Ming as the Chairman of the audit committee. The audit committee held two meetings, and discussed the accounting policies as well as critical accounting estimates and assumptions with the management and discussed with the auditors on the audit plan and key audit areas. The audit objectives of internal audit department of the Group were also discussed. The interim results of the Group for the six months ended 30 June 2022 had been reviewed by the audit committee before being approved by the Board. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUDITORS

The re-appointment of PricewaterhouseCoopers as the Company’s international auditor and the re-appointment of PricewaterhouseCoopers Zhong Tian Certified Public Accountants (“LLP”) as the Company’s PRC statutory auditor were approved at the annual general meeting held on 14 June 2022.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

## Corporate Governance

## INVESTORS RELATIONS

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

## SUBSTANTIAL SHAREHOLDERS OF H SHARES

As at the date of this report, so far as was known to the Directors, the following persons, other than Directors, Supervisors and senior management of the Company, have an interest in the shares of the Company as recorded in the register required to be kept under the Section 336 of the 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	15.51%	5.43%
Zhu Yicai ( <i>note 1</i> )	29,304,000	15.51%	5.43%

## Notes:

1. Mr. Zhu Yicai, the spouse of Ms. Wu Xueqin, is deemed to be interested 29,304,000 H shares.
2. Information disclosed here is based on the information available on the website of Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).
3. As at 30 June 2022, the Company has a total of 539,646,053 shares, of which 188,904,000 shares were H shares.

# OTHER INFORMATION

## INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

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

Directors/Supervisors/ Senior Management	Relevant Entity	Capacity	Number of Domestic Shares (Long Position)	Number of H Shares (Long Position)	Approximate Percentage of the Total Registered Capital of the Relevant Entity
<b>Directors</b>					
Mr. Pang Baogen	The Company	Individual	193,753,054	–	35.90%
Mr. Gao Jiming	The Company	Individual	12,059,254	–	2.23%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.77%
Mr. Gao Jun	The Company	Individual	5,794,259	–	1.07%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.45%
<b>Supervisors</b>					
Wang Jianguo	The Company	Individual	5,250,290	–	0.97%
Wang Jianguo	Zhejiang Baoye Curtain Wall Decoration	Individual	42,700,001	–	16.94%
Xu Gang	The Company	Individual	18,407,116	–	3.41%
<b>Senior Management</b>					
Mr. Lou Zhonghua	The Company	Individual	4,533,172	–	0.84%
Mr. Wang Rongbiao	The Company	Individual	2,638,026	–	0.49%

Note:

As at 30 June 2022, the Company has a total of 539,646,053 shares, of which 188,904,000 shares were H shares.



## Other Information

### **DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

### **CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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

### **HUMAN RESOURCES**

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

### **CONNECTED TRANSACTIONS**

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

### **CONTINGENT LIABILITIES**

As at 30 June 2022, neither the Company nor the Group had any significant contingent liabilities.

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES**

During the period under review, the Group did not have material acquisitions and disposals of subsidiaries, joint ventures and associates.

## PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

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

Particulars of the shares buy-back are as follows:

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

## LITIGATION AND ARBITRATION

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

## ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

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

## APPRECIATION

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

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

Zhejiang, the PRC  
 26 August, 2022

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF BAOYE GROUP COMPANY LIMITED**

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 61, which comprises the interim condensed consolidated balance sheet of Baoye Group Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 26 August 2022

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# INTERIM FINANCIAL INFORMATION

## Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	3,277,690	2,979,776
Right-of-use assets	10	696,841	705,160
Investment properties	10	763,166	763,934
Intangible assets	11	388,147	388,147
Investments accounted for using the equity method	7	350,390	381,708
Trade and other receivables	9	404,226	632,676
Financial assets at fair value through other comprehensive income	5.3	331,381	363,694
Financial assets at fair value through profit or loss	5.3	7,783	6,948
Deferred income tax assets		345,264	303,794
		<b>6,564,888</b>	6,525,837
<b>Current assets</b>			
Inventories		310,150	283,715
Properties under development		14,609,733	14,938,687
Completed properties held for sale	8	3,798,218	2,228,468
Contract assets	12	7,423,879	7,226,715
Trade and other receivables	9	6,933,095	7,835,106
Financial assets at fair value through profit or loss	5.3	308,600	481,600
Restricted bank deposits		1,152,552	1,263,180
Term deposits with initial term of over three months		404,608	318,452
Cash and cash equivalents		7,635,885	7,813,911
		<b>42,576,720</b>	42,389,834
<b>Total assets</b>		<b>49,141,608</b>	48,915,671
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and premium	13	961,974	1,035,874
Other reserves	14	310,410	335,484
Retained earnings		9,734,911	9,494,855
		<b>11,007,295</b>	10,866,213
<b>Non-controlling interests</b>		<b>496,458</b>	482,960
<b>Total equity</b>		<b>11,503,753</b>	11,349,173

## Interim Financial Information

## Interim Condensed Consolidated Balance Sheet (continued)

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings	16	836,755	963,225
Lease liabilities		16,305	15,547
Deferred income tax liabilities		209,867	206,658
		<b>1,062,927</b>	1,185,430
<b>Current liabilities</b>			
Contract liabilities		17,033,411	16,767,601
Trade and other payables	15	16,366,947	16,256,918
Lease liabilities		3,131	1,599
Bank and other borrowings	16	2,838,771	3,089,121
Current income tax liabilities		332,668	265,829
		<b>36,574,928</b>	36,381,068
<b>Total liabilities</b>		<b>37,637,855</b>	37,566,498
<b>Total equity and liabilities</b>		<b>49,141,608</b>	48,915,671

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

Approved by the Board of Directors on 26 August 2022 and were signed on its behalf.

**Mr. Pang Baogen**  
Director

**Mr. Gao Jiming**  
Director

## Interim Financial Information

## Interim Condensed Consolidated Income Statement

		Unaudited Six months ended 30 June	
	Note	2022 RMB'000	2021 RMB'000
Revenue	6	13,005,950	13,114,524
Cost of sales	19	(12,435,841)	(12,207,422)
<b>Gross profit</b>		<b>570,109</b>	907,102
Other income	17	133,278	101,679
Other gains – net	18	66,012	45,989
Selling and marketing costs	19	(44,527)	(104,554)
Administrative expenses	19	(336,303)	(359,496)
Net impairment losses on financial assets and contract assets		(21,112)	(8,748)
<b>Operating profit</b>		<b>367,457</b>	581,972
Finance income	20	6,716	6,467
Finance costs	20	(16,040)	(67,926)
Finance costs – net	20	(9,324)	(61,459)
Share of results of investments accounted for using the equity method	7	33,040	54,506
<b>Profit before income tax</b>		<b>391,173</b>	575,019
Income tax expenses	21	(136,379)	(190,529)
<b>Profit for the period</b>		<b>254,794</b>	384,490
<b>Profit attributable to:</b>			
– Owners of the Company		241,796	335,479
– Non-controlling interests		12,998	49,011
		<b>254,794</b>	384,490
<b>Earnings per share for profit attributable to the owners of the Company</b>			
– Basic and diluted (expressed in RMB yuan per share)	22	0.44	0.60

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



## Interim Financial Information

## Interim Condensed Consolidated Statement of Comprehensive Income

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

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

## Interim Financial Information

## Interim Condensed Consolidated Statement of Changes in Equity

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

## Interim Financial Information

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

	Unaudited						
	Attributable to the 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		
<b>Balance at 1 January 2022</b>	<b>560,634</b>	<b>475,240</b>	<b>335,484</b>	<b>9,494,855</b>	<b>10,866,213</b>	<b>482,960</b>	<b>11,349,173</b>
<b>Comprehensive income</b>							
Profit for the period	-	-	-	241,796	241,796	12,998	254,794
Other comprehensive income	-	-	(26,814)	-	(26,814)	-	(26,814)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(26,814)</b>	<b>241,796</b>	<b>214,982</b>	<b>12,998</b>	<b>227,980</b>
<b>Transactions with owners in their capacity as owners</b>							
Buy-back and cancellation of shares	(20,988)	(52,912)	-	-	(73,900)	-	(73,900)
Transfer of statutory surplus reserves	-	-	1,740	(1,740)	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	500	500
<b>Total transactions with owners</b>	<b>(20,988)</b>	<b>(52,912)</b>	<b>1,740</b>	<b>(1,740)</b>	<b>(73,900)</b>	<b>500</b>	<b>(73,400)</b>
<b>Balance at 30 June 2022</b>	<b>539,646</b>	<b>422,328</b>	<b>310,410</b>	<b>9,734,911</b>	<b>11,007,295</b>	<b>496,458</b>	<b>11,503,753</b>

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



## Interim Financial Information

## Interim Condensed Consolidated Statement of Cash Flows

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	1,083,494	610,231
Interest paid	(106,740)	(138,340)
Income tax paid	(382,051)	(462,363)
<b>Net cash generated from operating activities</b>	<b>594,703</b>	9,528
<b>Cash flows from investing activities</b>		
Payments for investments in joint ventures	(2,720)	(6,800)
Loans to joint ventures	–	(7,033)
Loans to associates	–	(137,031)
Repayments of loans by joint ventures	3,750	149,200
Repayment of loans by associates	232,497	–
Purchases of financial assets at fair value through profit or loss	(252,000)	(481,000)
Disposals of financial assets at fair value through profit or loss	430,692	748,503
Disposal of an associate	67,192	–
Net cash acquired from acquisition of subsidiaries	–	157,367
Advances from government for housing demolition and relocation	–	164,634
Purchases of property, plant and equipment	(443,141)	(167,858)
Disposals of property, plant and equipment	43,697	7,925
Purchases of right-of-use for land	(641)	(12,301)
(Increase)/decrease of term deposits with initial term of over three months	(86,156)	49,019
Interest received	132,131	92,147
<b>Net cash generated from investing activities</b>	<b>125,301</b>	556,772
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	1,867,809	2,360,270
Repayments of borrowings	(2,244,629)	(2,152,692)
Principal elements of lease payments	(5,478)	(3,330)
Capital contributions by non-controlling interests	500	9,510
Buy-back of shares	(73,900)	(83,816)
Repayments of advances from non-controlling interests	(456,421)	(389,047)
<b>Net cash used in from financing activities</b>	<b>(912,119)</b>	(259,105)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(192,115)</b>	307,195
Cash and cash equivalents at beginning of the period	7,813,911	7,261,532
Exchange gains/(losses) on cash and cash equivalents	14,089	(1,891)
<b>Cash and cash equivalents at end of the period</b>	<b>7,635,885</b>	7,566,836

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

## Interim Financial Information

## Notes to the Interim Financial Information

**1 GENERAL INFORMATION**

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

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

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

Unless otherwise stated, this interim financial information for the six months ended 30 June 2022 (“Interim Financial Information”) is presented in Renminbi (“RMB”). The Interim Financial Information has not been audited.

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

**2 BASIS OF PREPARATION**

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2022 has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 (the “2021 Financial Statements”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements of the Stock Exchange of Hong Kong Limited, and any public announcements made by the Company during the interim reporting period.

**3 SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

## Notes to the Interim Financial Information (continued)

**4 ESTIMATES**

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2021 Financial Statements.

**5 FINANCIAL RISK MANAGEMENT****5.1 Financial risk factors**

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2021 Financial Statements.

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

**5.2 Liquidity risk**

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

	As at 30 June 2022				Total RMB'000
	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	
Principal of bank and other borrowings	2,838,771	145,313	345,330	346,112	3,675,526
Interest of bank and other borrowings	112,263	30,813	32,150	30,989	206,215
Trade and other payables (excluding other taxes payables, advance and salaries payables)	14,599,262	–	–	–	14,599,262
Lease liabilities	3,464	3,358	7,462	6,321	20,605
	17,553,760	179,484	384,942	383,422	18,501,608
Financial guarantees	2,287,871	–	–	–	2,287,871



## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)****5.2 Liquidity risk (continued)**

	As at 31 December 2021				
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Principal of bank and other borrowings	3,089,121	173,600	584,225	205,400	4,052,346
Interest of bank and other borrowings	127,705	35,238	78,274	28,851	270,068
Trade and other payables (excluding other taxes payables, advance and salaries payables)	14,678,786	–	–	–	14,678,786
Lease liabilities	2,108	4,561	8,750	7,585	23,004
	17,897,720	213,399	671,249	241,836	19,024,204
Financial guarantees	2,330,144	–	–	–	2,330,144

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

**5.3 Fair value estimation**

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2022 and 31 December 2021, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)****5.3 Fair value estimation (continued)**

	As at 30 June 2022			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at fair value through profit or loss ("Financial assets at FVPL")				
– Bank financial products	–	–	308,600	308,600
– Listed equity securities	7,783	–	–	7,783
Financial assets at fair value through other comprehensive income ("Financial assets at FVOCI")				
– Listed equity securities	80,885	–	–	80,885
– Unlisted equity securities	–	–	250,496	250,496
	88,668	–	559,096	647,764

	As at 31 December 2021			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at FVPL				
– Bank financial products	–	–	481,600	481,600
– Listed equity securities	6,948	–	–	6,948
Financial assets at FVOCI				
– Listed equity securities	113,198	–	–	113,198
– Unlisted equity securities	–	–	250,496	250,496
	120,146	–	732,096	852,242

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

There were no changes in valuation techniques during the period.

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)****5.3 Fair value estimation (continued)**

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
At 1 January	732,096	976,168
Additions	252,000	481,000
Disposals	(425,000)	(730,000)
Fair value changes recognised in other comprehensive income	–	58,093
Transfer to level 1	–	(81,487)
At 30 June	559,096	703,774
Gains recognised in "Other gains – net"	5,692	18,503

**5.4 Group's valuation processes**

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

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

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

**6 SEGMENT INFORMATION**

The executive directors (chief operating decision-maker) assess the performance of the operating segments based on a measurement of operating profit. Information of segment assets and liabilities are not included in the reports reviewed by the executive directors. Other information provided to the executive directors is measured in a manner consistent with that in the consolidated financial statements. There has been no change in the basis of the segmentation or in the basis of the measurement of the segment profit or loss for the six months ended 30 June 2022 compared to 2021.

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 interim consolidated income statement.



## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**6 SEGMENT INFORMATION (CONTINUED)**

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

	Six months ended 30 June 2022				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Revenue from contracts with customers	10,669,019	2,320,441	1,422,451	312,462	14,724,373
Less: inter-segment revenue	(1,119,797)	–	(417,966)	(246,520)	(1,784,283)
	9,549,222	2,320,441	1,004,485	65,942	12,940,090
Recognised at a point in time	–	2,320,441	289,377	53,780	2,663,598
Recognised over time	9,549,222	–	715,108	12,162	10,276,492
Revenue from other sources					
Rental income	–	–	–	65,860	65,860
<b>Revenue (from external customers)</b>	<b>9,549,222</b>	<b>2,320,441</b>	<b>1,004,485</b>	<b>131,802</b>	<b>13,005,950</b>
<b>Operating profit/segment results</b>	<b>169,697</b>	<b>140,926</b>	<b>60,344</b>	<b>(3,510)</b>	<b>367,457</b>
Depreciation	36,066	5,801	66,222	31,131	139,220
Net impairment losses/(reversal of impairment losses) on financial assets and contract assets	49,244	(349)	(33,129)	5,346	21,112

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

## 6 SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2021				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Revenue from contracts with customers	11,563,600	1,277,538	1,526,244	393,350	14,760,732
Less: inter-segment revenue	(959,312)	–	(473,964)	(278,456)	(1,711,732)
	10,604,288	1,277,538	1,052,280	114,894	13,049,000
Recognised at a point in time	–	1,271,896	230,055	104,022	1,605,973
Recognised over time	10,604,288	5,642	822,225	10,872	11,443,027
Revenue from other sources					
Rental income	–	–	–	65,524	65,524
<b>Revenue (from external customers)</b>	<b>10,604,288</b>	<b>1,277,538</b>	<b>1,052,280</b>	<b>180,418</b>	<b>13,114,524</b>
<b>Operating profit/segment results</b>	<b>310,992</b>	<b>215,783</b>	<b>42,029</b>	<b>13,168</b>	<b>581,972</b>
Depreciation	32,967	5,250	53,701	23,831	115,749
Net impairment losses/(reversal of impairment losses) on financial assets and contract assets	8,439	522	(83)	(130)	8,748

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

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the six months ended 30 June 2022 and 2021.

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

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

## 6 SEGMENT INFORMATION (CONTINUED)

### Analysis of revenue by category

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Provision of construction services	9,549,222	10,604,288
Sale of properties	2,320,441	1,277,538
Sale of building materials	1,004,485	1,052,280
Rental income	65,860	65,524
Others	65,942	114,894
	13,005,950	13,114,524

## 7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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



## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)****(a) Investments in joint ventures**

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

**(b) Investments in associates**

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
<b>At 1 January</b>	<b>96,615</b>	213,970
Disposals	(67,192)	–
Transfer to investments in subsidiaries	–	(165,440)
Share of results	27,862	72,215
<b>At 30 June</b>	<b>57,285</b>	120,745
Represented by share of net assets	57,285	120,745

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**8 COMPLETED PROPERTIES HELD FOR SALE**

	<b>30 June 2022 RMB'000</b>	31 December 2021 RMB'000
Right-of-use for land	<b>916,124</b>	538,176
Development costs	<b>2,822,456</b>	1,644,449
Interest capitalised	<b>125,684</b>	52,088
	<b>3,864,264</b>	2,234,713
Less: provision of net realisable value	<b>(66,046)</b>	(6,245)
	<b>3,798,218</b>	2,228,468

Write-downs of completed properties held for sale to net realisable value during the period ended 30 June 2022 amounted to RMB61,295,000, which were recognised in profit or loss.

**9 TRADE AND OTHER RECEIVABLES**

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

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**9 TRADE AND OTHER RECEIVABLES (CONTINUED)****(a) Loans to joint ventures**

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

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



## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**9 TRADE AND OTHER RECEIVABLES (CONTINUED)****(b) Loans to associates**

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

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

**(c) Trade receivables**

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

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).

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**9 TRADE AND OTHER RECEIVABLES (CONTINUED)****(c) Trade receivables (continued)**

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

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

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

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

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**9 TRADE AND OTHER RECEIVABLES (CONTINUED)****(d) Other receivables and prepayments**

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

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



## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**10 RIGHT-OF-USE ASSETS, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

	Right-of-use for land RMB'000	Right-of-use for properties RMB'000	Property, plant and equipment RMB'000	Investment properties RMB'000
<b>Six months ended 30 June 2021</b>				
At 1 January 2021	683,811	3,152	2,798,312	764,969
Additions	12,301	21,643	167,858	–
Interest capitalised (Note 20)	–	–	9,058	–
Disposals	–	–	(7,191)	–
Depreciation	(10,863)	(4,555)	(100,331)	–
At 30 June 2021	685,249	20,240	2,867,706	764,969
<b>Six months ended 30 June 2022</b>				
At 1 January 2022	687,279	17,881	2,979,776	763,934
Additions	641	3,816	443,141	–
Interest capitalised (Note 20)	–	–	15,109	–
Disposals	–	–	(33,892)	–
Depreciation	(11,139)	(1,637)	(126,444)	–
Fair value losses	–	–	–	(768)
At 30 June 2022	676,781	20,060	3,277,690	763,166

The valuations of investment properties at 30 June 2022 and 2021 were carried out by the management, using discounted cash flow projections based on significant unobservable inputs. The fair value measurement of the investment properties is categorised within level 3 of the fair value hierarchy. The key assumptions used in the valuation are rental cash inflows, capitalisation rates and discount rates.

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

## 11 INTANGIBLE ASSETS

	Construction stone mining right RMB'000 <i>Note (a)</i>	Goodwill RMB'000	Total RMB'000
<b>Six months ended 30 June 2021</b>			
At 1 January 2021	–	16,534	16,534
Additions	–	–	–
Amortisation	–	–	–
At 30 June 2021	–	16,534	16,534
<b>Six months ended 30 June 2022</b>			
At 1 January 2022	371,613	16,534	388,147
Additions	–	–	–
Amortisation	–	–	–
At 30 June 2022	371,613	16,534	388,147

- (a) As of 30 June 2022, the Group has not commenced any mining production activities and thus there has been no amortisation charged to profit or loss.

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**12 CONTRACT ASSETS**

Details of contract assets are as follows:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Relating to construction services	6,994,731	6,770,224
Relating to installation of building materials	488,878	498,648
	7,483,609	7,268,872
Less: provision for loss allowance	(59,730)	(42,157)
Total contract assets	7,423,879	7,226,715

**13 SHARE CAPITAL AND PREMIUM**

	Number of shares (thousands of RMB1 each)	Ordinary shares RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
At 1 January 2022					
– Domestic shares	350,742	350,742	–	–	350,742
– H shares	209,892	209,892	475,474	(234)	685,132
	560,634	560,634	475,474	(234)	1,035,874
Buy-back and cancellation of H shares (a)	(20,988)	(20,988)	(53,146)	234	(73,900)
At 30 June 2022					
– Domestic shares	350,742	350,742	–	–	350,742
– H shares	188,904	188,904	422,328	–	611,232
	539,646	539,646	422,328	–	961,974



## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**13 SHARE CAPITAL AND PREMIUM (CONTINUED)**

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

- (a) During the period, the Company repurchased 20,754,000 H Shares, representing approximately 9.8879% and 3.7019% of the total number of H Shares and total number of issued shares of the Company, respectively, and cancelled 20,988,000 H Shares. The total amounts paid were approximately HKD89,148,800 (equivalent to approximately RMB73,900,000).

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

## 14 OTHER RESERVES

	Financial assets fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
<b>Six months ended 30 June 2022</b>				
At 1 January 2022	94,915	245,916	(5,347)	335,484
Appropriation from retained earnings	–	1,740	–	1,740
Revaluation of financial assets at FVOCI	(32,313)	–	–	(32,313)
Revaluation-tax	8,078	–	–	8,078
Currency translation differences	–	–	(2,579)	(2,579)
At 30 June 2022	70,680	247,656	(7,926)	310,410
<b>Six months ended 30 June 2021</b>				
At 1 January 2021	(7,275)	225,695	(9,423)	208,997
Revaluation of financial assets at FVOCI	127,983	–	–	127,983
Revaluation-tax	(31,996)	–	–	(31,996)
Currency translation differences	–	–	(107)	(107)
At 30 June 2021	88,712	225,695	(9,530)	304,877

## 15 TRADE AND OTHER PAYABLES

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

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**15 TRADE AND OTHER PAYABLES (CONTINUED)****(a) Trade payables**

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

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

**(b) Other payables**

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

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

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



## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**16 BANK AND OTHER BORROWINGS**

	30 June 2022 RMB'000	31 December 2021 RMB'000
<b>Non-current liabilities</b>		
Long-term bank and other borrowings		
– Secured (a)	800,080	1,283,950
– Unsecured with guarantee (b)	71,838	75,357
– Guaranteed by the companies within the Group	9,000	–
Asset-backed securities		
– Secured (a)	550,000	550,000
Less: current portion	(594,163)	(946,082)
	836,755	963,225
<b>Current liabilities</b>		
Short-term bank and other borrowings		
– Secured (a)	25,000	29,000
– Unsecured with guarantee (b)	2,006,750	1,906,490
– Guaranteed by the companies within the Group	212,858	207,549
Current portion of non-current liabilities	594,163	946,082
	2,838,771	3,089,121
	3,675,526	4,052,346

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**16 BANK AND OTHER BORROWINGS (CONTINUED)**

Movements in bank and other borrowings are analysed as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
At 1 January	4,052,346	4,653,855
Additions	1,867,809	2,360,270
Repayments	(2,244,629)	(2,152,692)
At 30 June	3,675,526	4,861,433

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
Properties under development	3,758,736	4,535,889
Right-of-use for land	608,519	604,498
Investment properties	609,836	609,836
Property, plant and equipment	336,075	444,691
Equity interest in a subsidiary	23,000	23,000
	5,336,166	6,217,914

(b) These loans were guaranteed by:

	30 June 2022 RMB'000	31 December 2021 RMB'000
The Company	2,016,750	1,857,490
The Company and non-controlling shareholders (jointly)	61,838	75,357
Others	—	49,000
	2,078,588	1,981,847

(c) The carrying amounts of bank and other borrowings are mainly denominated in RMB. The weighted average effective interest rate of borrowings at 30 June 2022 was 3.96% per annum (at 31 December 2021: 4.22% per annum).

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**17 OTHER INCOME**

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest income on		
– Financial assets held as investments	103,185	70,991
– Advances to project managers and joint ventures	30,093	30,688
	133,278	101,679

**18 OTHER GAINS – NET**

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



## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**19 EXPENSES BY NATURE**

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Cost of construction contracts	7,231,650	7,709,702
Employee benefit expenses	2,448,200	2,892,330
Cost of properties sold	2,049,008	946,314
Raw materials and consumables used	679,856	756,964
Depreciation charges	139,220	115,749
Impairment/(reversal of impairment) on completed properties held for sale	61,295	(204)
Changes in inventories of finished goods and work in progress	37,149	(7,700)
Others	170,293	258,317
	<b>12,816,671</b>	<b>12,671,472</b>

**20 FINANCE COSTS – NET**

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Finance costs:		
Interests on bank and other borrowings and lease liabilities	106,740	138,340
Less: interest capitalised in properties under development	(61,503)	(63,124)
Less: interest capitalised in constructions in progress	(15,109)	(9,058)
	<b>30,128</b>	<b>66,158</b>
Net foreign exchange (gains)/losses on financing activities	(14,088)	1,768
	<b>16,040</b>	<b>67,926</b>
Finance income:		
Interest income from financial assets held for cash management purposes	(6,716)	(6,467)
Finance costs – net	<b>9,324</b>	<b>61,459</b>

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**21 INCOME TAX EXPENSES**

During the period, the Group is subject to the same types of income taxes as those disclosed in 2021 Financial Statements. Income tax expenses are determined and accounted for based on management's estimate of the annual income tax rate expected for the full financial year.

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

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

**22 EARNINGS PER SHARE**

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

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

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

## Interim Financial Information

## Notes to the Interim Financial Information (continued)

**23 DIVIDENDS**

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

**24 FINANCIAL GUARANTEES**

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

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

**25 RELATED-PARTY TRANSACTIONS**

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

**(a) Transactions with related parties**

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Sales of goods	2,086	5,257
Rental income	78	301
Provision of technical consulting services	99	88
Purchase of technical consulting services	44	—
Purchase of building materials	41,790	50,279

**(b) Balances with related parties**

	30 June 2022 RMB'000	31 December 2021 RMB'000
Trade receivables	17,425	13,262
Trade payables	14,553	12,445



# DEFINITIONS

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

Anhui Baoye	Baoye Anhui Company Limited, a subsidiary of the Company
Baoye Construction	Zhejiang Baoye Construction Group Company Limited, a subsidiary of the Company
Baoye Industrialisation	Zhejiang Baoye Building Materials Industrialisation Company Limited, a subsidiary of the Company
Baoye Real Estate	Zhejiang Baoye Real Estate Group Company Limited, a subsidiary of the Company
Board	the board of Directors
Building materials business	the activities of research and development, production and sale of building materials conducted by the Group
Company Law	the Company Law of the People's Republic of China

## Definitions

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

## Definitions



Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	the Supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
The Company/Baoye	Baoye Group Company Limited, a joint stock limited company incorporated in the PRC and listed on the main board of the Stock Exchange
The Group/Baoye Group	the Company and its subsidiaries
The Period	the six months ended 30 June 2022