



## **BAOYE GROUP COMPANY LIMITED**

(A joint stock limited company incorporated in the People's Republic of China)  
Stock Code : 2355

# Interim Report 2019



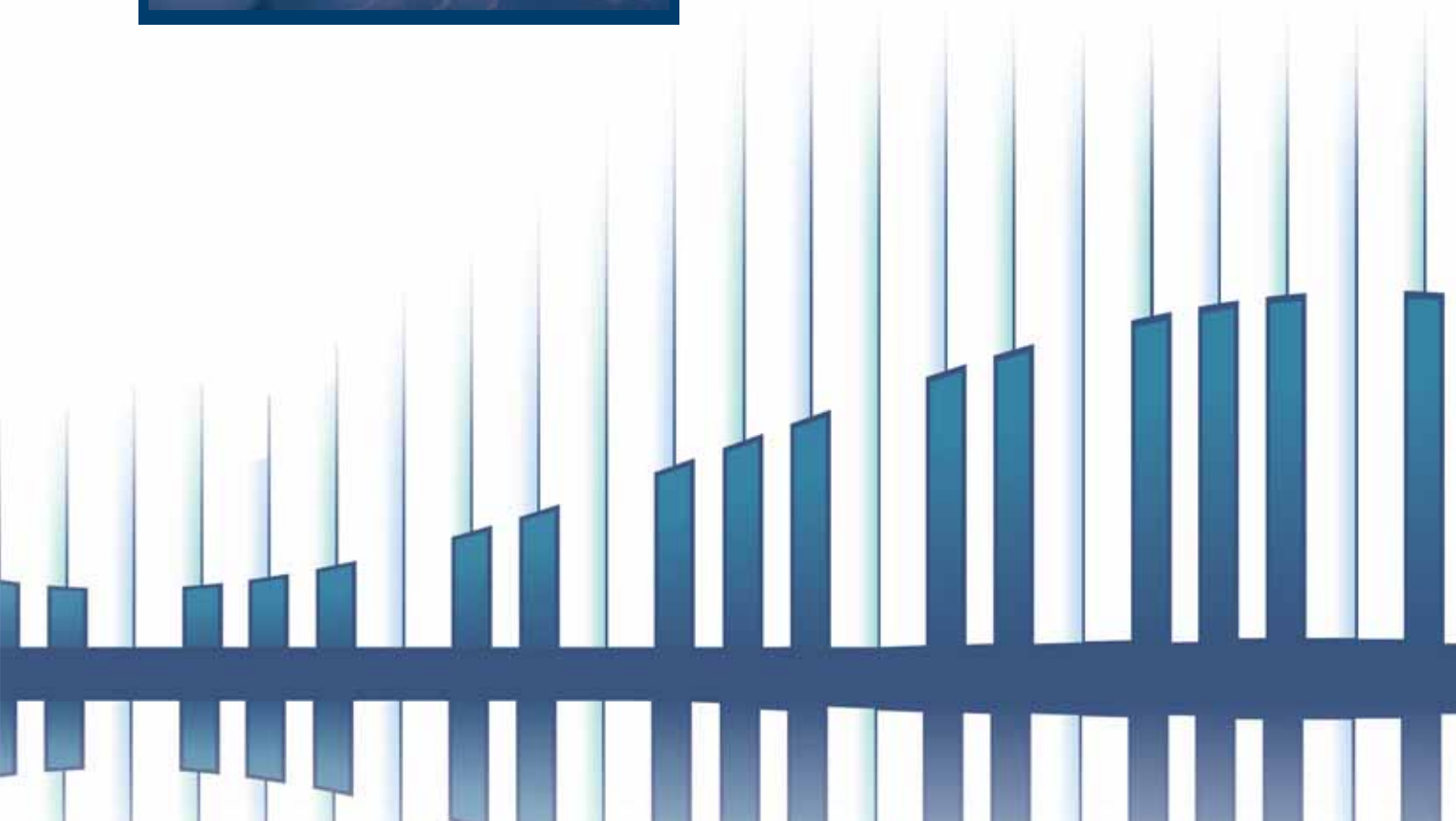


## OUR MISSION

“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 “Baoye Xinqiao Fengqing”
- Shaoxing “Xialv Project”
- Lishui “Huajie Fengqing”
- Lishui “Jingang Apartment”
- Wuhan “Xingyu Fu”
- Mengcheng “Binhu Lvyuan”
- Jieshou “Fuxing Jiayuan”
- Bengbu “Baoye Xuefu Luyuan”
- Taihe “Baoye City Green Garden”
- Kaifeng “Baoye Longhu Yucheng”
- Lu’an “Baoye Junyue Green Garden”
- Lu’an “Nanhai Jiayuan”
- Zhengzhou “Zhengzhou Project”

#### Building Materials Business

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



## Business Network



### Construction Business

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



### 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

# CORPORATE INFORMATION

## Directors

### Executive Directors

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

### Non-executive Director

Mr. Fung Ching, Simon

### Independent Non-executive Directors

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

## Supervisors

Mr. Kong Xiangquan *(Chairman)*  
Mr. Wang Jianguo  
Mr. Xu Gang

### Independent Supervisors

Mr. Zhang Xindao  
Mr. Xiao Jianmu

## Audit Committee

Mr. Chan, Dennis Yin Ming *(Chairman)*  
Mr. Fung Ching, Simon  
Mr. Li Wangrong

## Remuneration Committee

Mr. Chan, Dennis Yin Ming *(Chairman)*  
Mr. Pang Baogen  
Ms. Liang Jing

## Nomination Committee

Mr. Li Wangrong *(Chairman)*  
Mr. Gao Jiming  
Ms. Liang Jing

## Company Secretary

Mr. Chow Chan Lum

## Auditors

### International Auditor

PricewaterhouseCoopers  
22/F, Prince's Building  
Central, Hong Kong

### Statutory Auditor

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

### Legal Advisers As to Hong Kong law

Kwok Yih & Chan  
Suites 2103-05, 21st Floor  
9 Queen's Road Central,  
Central, Hong Kong

### As to PRC law

Fenxun Partners  
Suite 1008, China World Tower 2  
China World Trade Centre  
No.1 Jianguomenwai Avenue  
Beijing, the PRC  
Post Code: 100004

## H Share Registrar

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## Principal Banks

Agricultural Bank of China Limited  
Bank of China Limited  
Bank of Communications Company  
Limited  
China Construction Bank Corporation  
China Minsheng Banking Corporation  
Limited  
Industrial and Commercial Bank of China  
Limited  
Shanghai Pudong Development Bank  
Company Limited

## Registered Address

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

## Headquarter Address

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Keqiao District, Shaoxing City  
Zhejiang Province, the PRC  
Post Code: 312030

## Correspondence Address in Hong Kong

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

## Authorised Representatives

Mr. Pang Baogen  
Mr. Gao Jiming

## Stock Code

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## Contact

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## Website

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# FINANCIAL HIGHLIGHTS

	For the six months ended/As at 30 June				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
<b>Results</b>					
Revenue	<b>11,450,605</b>	11,483,063	9,383,941	10,845,641	9,069,237
Profit Attributable to the Owners of the Company	<b>331,146</b>	439,202	323,716	261,025	238,285
Earnings per Share (RMB yuan)	<b>0.59</b>	0.76	0.55	0.43	0.38
<b>Assets and Liabilities</b>					
Total Assets	<b>32,200,784</b>	27,511,556	23,138,588	21,029,884	18,510,895
Total Liabilities	<b>23,282,738</b>	19,414,756	15,934,344	14,295,060	12,341,500
Total Equity	<b>8,918,046</b>	8,096,800	7,204,244	6,734,824	6,169,395

## Key Financial Ratios

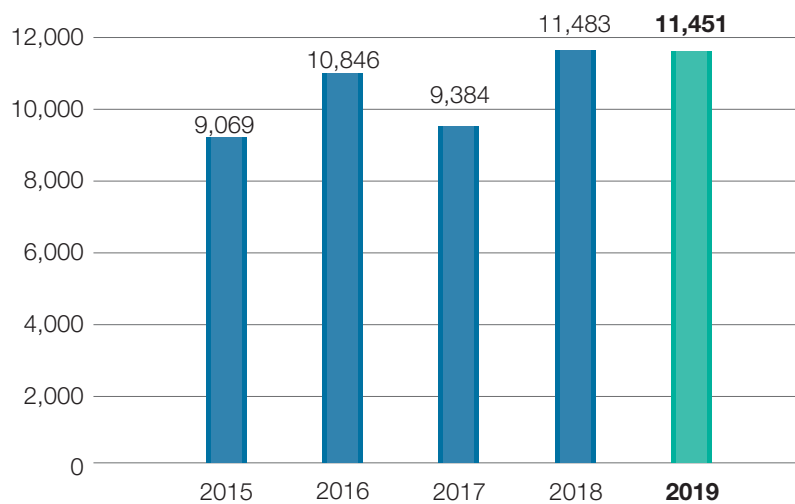
	As at/For the six months ended 30 June	
	2019	2018
Return on Equity	<b>3.82%</b>	5.56%
Net Assets Value per Share (RMB yuan)	<b>15.41</b>	14.05
Net Cash Ratio	<b>27%</b>	29%
Current Ratio	<b>1.19</b>	1.21
Net Cash Generated from Operating Activities (RMB'000)	<b>239,948</b>	1,228,650

## Financial Highlights

### Revenue

(in RMB million)

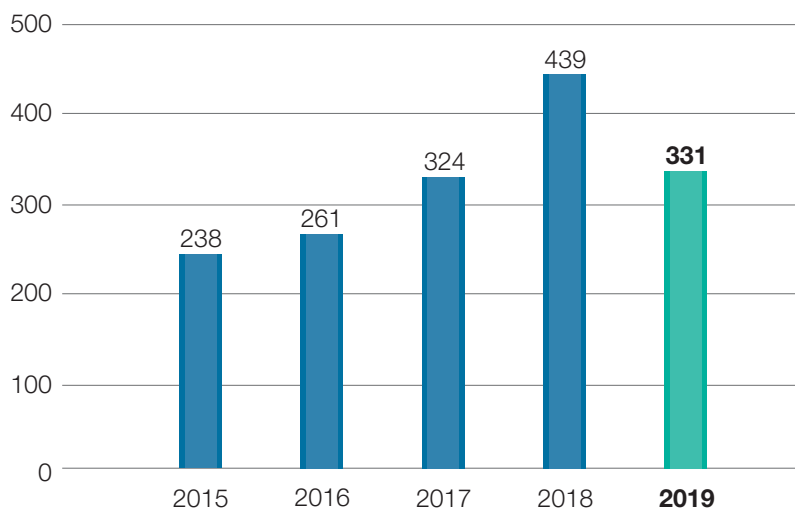
(For the six months ended 30 June)



### Profit Attributable to the Owners of the Company

(in RMB million)

(For the six months ended 30 June)

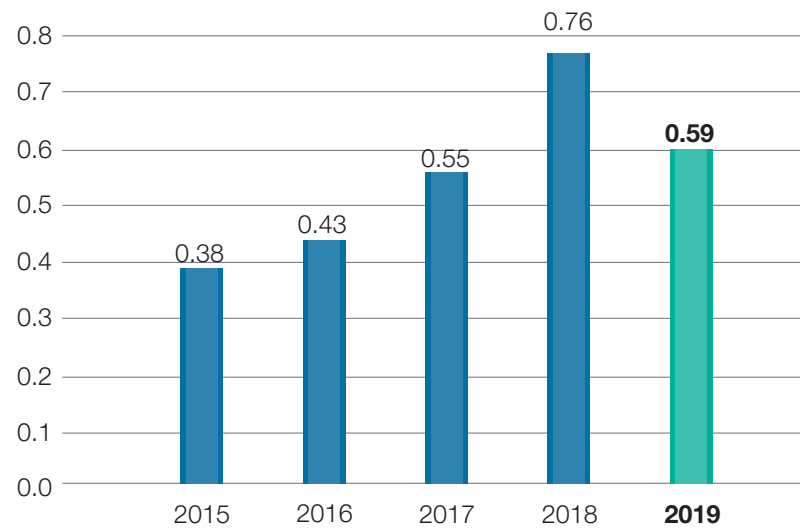


## Financial Highlights

### Earnings per Share

(in RMB yuan)

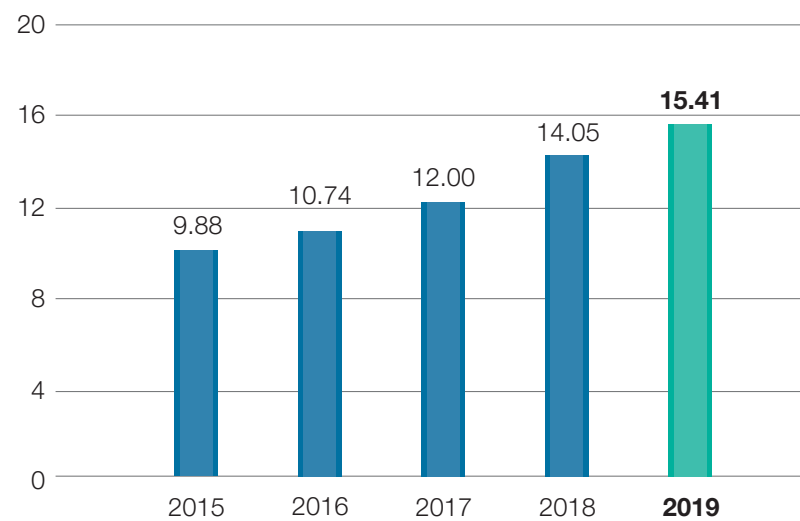
(For the six months ended 30 June)



### Net Assets Value per Share

(in RMB yuan)

(As at 30 June)





# MANAGEMENT DISCUSSION AND ANALYSIS



# MANAGEMENT DISCUSSION AND ANALYSIS

## Results Review

For the six months ended 30 June 2019, the Group achieved a total revenue of approximately RMB11,450,605,000, which was marginally below the corresponding period last year; operating profit amounted to approximately RMB546,202,000, representing a decrease of approximately 19% compared to the same period last year; profit attributable to the owners of the Company amounted to approximately RMB331,146,000, representing a decrease of approximately 25% compared to the same period last year; earnings per share was RMB0.59, representing a decrease of approximately 22% compared to the same period last year. During the period, the Group's construction business remained relatively stable and achieved a slight growth, building materials business continued its strong growth momentum, however, property development business recorded decline in both revenue and profit primarily attributable to the significant decrease in the recognised gross floor area ("GFA") of property units delivered to buyers as compared to the same period last year.

## Segment Operating Results Revenue

	For the six months ended 30 June				Change
	2019 RMB'000	% of total	2018 RMB'000	% of total	
Construction	9,088,147	79%	8,333,158	72%	9%
Property Development	723,994	6%	1,929,594	17%	-62%
Building Materials	1,481,842	13%	1,103,334	10%	34%
Others	156,622	2%	116,977	1%	34%
Total	11,450,605	100%	11,483,063	100%	0%

## Operating Profit

	For the six months ended 30 June				Change
	2019 RMB'000	% of total	2018 RMB'000	% of total	
Construction	226,981	42%	246,603	36%	-8%
Property Development	259,329	47%	384,923	57%	-33%
Building Materials	39,046	7%	23,804	4%	64%
Others	20,846	4%	22,108	3%	-6%
Total	546,202	100%	677,438	100%	-19%

## Management Discussion and Analysis

### Construction Business

For the six months ended 30 June 2019, the Group's construction business achieved a revenue of approximately RMB9,088,147,000, which represents an increase of approximately 9% compared to the same period last year; operating profit amounted to approximately RMB226,981,000, which represents a decrease of approximately 8% compared to the same period last year. The increase in revenue for the construction business was primarily due to enormous increase in construction contracts in recent years which were recognised as revenue according to the respective progress of project completion during the period. The decline in operating profit was mainly due to a higher proportion of projects with lower profit margin was recognised, which resulted in a slight decline of total operating profit margin for the construction business.

During the period, in the complex situation where the risk and challenges at home and abroad increased significantly, the construction industry, as a pillar industry of the national economy, still maintained steady growth. The Group's construction business adhered to the philosophy of "enhancing brand advantages, deepening contract management control, innovating business models, strengthening risk management, and promoting sustainable, healthy and high-quality development of the enterprise". In the intake of new construction contracts, the Group upholds the selection criteria, secures the quality of the bidding contracts, commences new projects with due diligence care, and controls the inherit risks at source. With respect to construction management, the Group practises Baoye's craftsman spirit and executes process supervision and refines management tools through use of performance indicators, segregation of duties, attaining project management efficiency level, enhancing business model, and increasing the proportion of direct management project, leading to lower operating cost and higher efficiency. The Group also concentrates on integration of the work flow and data information using Internet platform. On the basis of accurate, effective and timely information, such integration work and data changed the project management mode, realised effective supervision, optimised the resources configuration in the pursuit of excellency on refined management for construction projects.

During the period, the contract value of the new construction of the Group's construction business was approximately RMB13.3 billion (corresponding period of 2018: RMB12.8 billion), which was relatively the same level as that of the same period last year. The Group, as a pilot company of the general contracting project, undertook a number of EPC projects such as Shaoxing Children's Welfare Institute Project, School for Deaf-Mute in Shaoxing, Shangyu Urban Construction Group Micro Industrial Park, and the Hangzhou Bay Accounting Academy. In terms of traditional construction business, the Group undertook a number of landmark projects such as Jinghu Meishan Primary School in Yuecheng District, Shaoxing City, the Fengshu Advanced Automobile Parts Manufacturing Industry Project in Wenzhou, the Weilong Liangjiang Logistics Park Project in Chongqing, and the Zhangyan Town Community Health Service Center in Jinshan District, Shanghai, Fengshu Modern Industrial Park Project in Yinchuan and the Yiwu-Yongkang Highway Project.

## Management Discussion and Analysis

### Property Development Business

#### Property Sales

For the six months ended 30 June 2019, the revenue of the Group's property development business amounted to approximately RMB723,994,000, which represents a significant decrease of approximately 62% compared to the same period last year. Operating profit amounted to approximately RMB259,329,000, which represents a significant decrease of approximately 33% compared to the same period last year. As the recognised GFA of property units that were delivered to buyers during the period was much less than that of the same period last year, hence the revenue and operating profit of the property development business decreased significantly compared to the same period last year, despite these negatives impacts, gross profit margin was increased primarily due to a higher proportion of revenue recognised from units with higher gross profit 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)	GFA Sold (Sqms)	Revenue (RMB'000)
Baoye Ido	Shanghai	38,742	7,891	305,713
Baoye Four Seasons Garden	Shaoxing	37,688	3,217	121,241
Baoye Xinqiao Fengqing	Shaoxing	14,148	8,376	118,503
Baoye Guanggu Lidu	Wuhan	15,430	3,836	59,191

For the six months ended 30 June 2019, the Group's property development business achieved a contract sales value of approximately RMB1.23 billion with a total contract sales GFA of approximately 113,724 square metres.

## Management Discussion and Analysis



### Projects under Development

As at 30 June 2019, projects under development of the Group are tabulated below:

Project Name	Location	Total GFA Under Development (Sqms)	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	300,000	100%
Shaoxing Xinqiao Fengqing	Shaoxing	136,000	100%
Xialv Project - Yunxili	Shaoxing	Under Planning	60%
Huajie Fengqing	Lishui	260,363	100%
Jingang Apartment	Lishui	20,784	100%
Xingyu Fu	Wuhan	259,056	100%
Binhu Lvyuan	Mengcheng	201,572	100%
Fuxing Jiayuan	Jieshou	467,293	100%
Baoye Xuefu Luyuan	Bengbu	79,033	63%
Baoye City Green Garden	Taihe	95,770	55%
Baoye Longhu Yucheng	Kaifeng	300,598	60%
Baoye Junyue Green Garden	Lu'an	129,665	100%
Nanghai Jiayuan	Lu'an	305,500	70%
Zhengzhou Project	Zhengzhou	Under Planning	51%

## Management Discussion and Analysis

Baoye Four Seasons Garden is located in Kuajijishan Tourist Resort, a provincial tourist resort in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilisation flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from the downtown of Shaoxing City, it is known as the “natural treasure in the heart of a city”. Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres and a planned GFA of approximately 650,000 square metres for the development of deluxe villas, semi-detached villas, garden villas and terraces. It also contains a series of supporting projects including a golf club, a five-star resort hotel, two parks with artificial mountains, a sport park, a shopping arcade, kindergarten and a central lakeside garden. Construction of Phase I had been completed and parts of units remain unsold. Phase II with a total GFA of approximately 300,000 square meters is under planning. The first town house of Phase II is currently under presale.

Baoye Xinqiao Fengqing is located in Beihai community, Yuecheng District, the west of Shaoxing City, supported by convenient transportation, well developed community facility and school resources. The project has a site area of approximately 41,158 square metres and an estimated GFA of approximately 136,000 square metres, aiming to be developed as a 14 high-rise buildings project with river view, of which 4 buildings will be constructed by PC-manufacture methodology. The project has been basically sold out and will be delivered in the second half of 2019.



## Management Discussion and Analysis

Xialv Project consists of three separate parcels of land at a total consideration of RMB511,036,000 and a total site area of 262,862 square meters, pursuant to which the Group has 60% equity interest in this project. The Group acquired the land use rights through public auction in 2017. As at the date of this report, one of the three parcels Baoye-Yunxili's land has begun planning.

Baoye Huajie Fengqing is located in Liandu District, Lishui City, Zhejiang Province. It covers a site area of 95,794 square meters and has a total GFA of 260,363 square meters. The residential area is 165,516 square meters of which about 106,563 square meters will be repurchased by the government. The remaining 58,953 square meters are owned by Baoye for sale. The project is expected to begin presales in the second half of 2019, and will be delivered in 2021.

Jingang Apartment, located in Liandu District, Lishui City, Zhejiang Province, has a site area of 14,846 square metres and a total GFA of 20,784 square metres with 1.34 times plot ratio, of which 17,652 square meters will be purchased by the local government and the remaining 3,132 square meters will be owned and sold by Baoye. The project is expected to be completed and delivered at the end of 2019.

Xingyu Fu, is located in Xingzhou District, Wuhan City, Hubei Province. The Group acquired this parcel of land use rights in December 2017 at a consideration of RMB780 million. This project has a total site area of 129,528 square meters and a GFA of 259,056 square meters. As at the date of this report, the project is under planning.

Binghu Lv Yuan, located in Mengcheng County, Anhui Province, has a total land area of 78,640 square meters and GFA of 201,572 square meters of high-rise residential buildings, garden houses, townhouses and commercial housing. The Group acquired this parcel of land use right in August 2018 at a consideration of RMB366 million. The project is expected to begin sales in the second half of 2019.

Fuxing Jiayuan, located in Jieshou City, Fuyang City, Anhui Province, has a total site area of 172,656 square meters and GFA of 467,293 square meters. The Group acquired this parcel of land use right in June 2018 by public tendering at a total consideration of RMB370,348,000. The project has started the construction and is expected to be delivered to owners in 2020. The project will be repurchased by the local government when finished.

Baoye Xuefu Luyuan, is located in Bengbu City, Anhui Province. It has a total site area of approximately 62,600 square metres and an estimated GFA of approximately 199,700 square metres of which approximately 20,000 square metres are resettlement housing. The project comprises 15 buildings. Phase I has been delivered to buyers in 2017. Phase II, with a GFA of approximately 79,033 square meters, is under construction and expected to be delivered to buyers at the end of 2019.

Baoye City Green Garden is located in Taihe County, Anhui Province with a total GFA of 420,000 square metres, comprising of unique and niche residential units, elegant shopping arcade, an international bilingual kindergarten, high-end swimming pool facilities and so on. Scientific separation of pedestrians and vehicles, humanized design of housing type and equitable distribution of space enable residents to enjoy quality and comfortable lives. The project with rich community facilities is closed to an eco-friendly park. Once the project is completed, it will become a principal eco-friendly community in Taihe and set a new model of modern residence. The project will be developed in four phases, of which phase I, II and III has already been delivered to buyers, phase IV with 95,770 square meters is expected to be delivered in 2020.

Baoye Longhu Yucheng is located in a central area of Eastern New City, Kaifeng County, Henan Province. It has a total site area of approximately 648,000 square metres and an estimated GFA of approximately 972,000 square metres. After completion, it will become the city's new business centre and leisure centre. The project is being developed in 5 phases, of which 100,000 square meters of phase I had been delivered to owners, the remaining 70,000 square meters of phase I is still under construction. Phase II with a total of 110,000 square meters sells well while Phase III is still under planning.

## Management Discussion and Analysis

Baoye Junyue Green Garden is located in Lu'an city, Anhui Province. Baoye bided the project through judicial auction in September 2017. It has a total site area of approximately 54,220 square metres and an estimated GFA of approximately 129,665 square metres, while the site area of 7,220 square meters is clean land under development. The project is surrounded by convenient transportation and well-developed facilities including parks, banks and shopping malls. The project is being developed in two phases which are under presale.

Nanghai Jiayuan, located in Lu'an City, Anhui Province, has a site area of 125,526 square meters and a total GFA of 305,500 square meters. The project is expected to be delivered to the local government in 2019.

Zhengzhou Project, with a total site area of 336,776 square meters, is located in Zhengzhou City, Henan Province. The Group acquired this parcel of land use right in November 2018 at a consideration of RMB184,660,000. The project is in Jianshan Tourist Resort Zone, with convenient transportation, spectacular scenery and historical culture. The project is under planning currently.

### Land Reserve

In February 2019, the Group acquired a parcel of land use rights with a total land area of 111,947 square meters through public tender and auction at a total consideration of RMB221,000,000 in Lu'an City, Anhui province.

In July 2019, the Group acquired a parcel of land use rights with a total land area of 80,945 square meters through public tender and auction at a total consideration of RMB1,885,000,000 in Keqiao District, Shaoxing City, Zhejiang Province.

In July 2019, a subsidiary of the Group acquired seven parcels of land use rights with a total land area of 33,369 square meters through judicial auction at a total consideration of RMB115,278,900 in Xialv town, Keqiao District, Shaoxing City, Zhejiang province. The Group has 60% equity interest in this project.

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.

### Investment in Property Development

In June 2019, a joint venture of the Group acquired a parcel of land use rights with a total land area of 73,881 square meters at a total consideration of RMB276,000,000 in Xinzhou District, Wuhan City, Hubei Province. The Group has 49% equity interest in this project.

### Building Materials Business

For the six months ended 30 June 2019, the revenue of the Group's building materials business was approximately RMB1,481,842,000, which represents a significant increase of approximately 34% over the same period last year; operating profit was approximately RMB39,046,000, representing a significant increase of approximately 64% compared to the same period last year. During the period under review, as the central and local government continued to enforce the environment protection and improvement rules, the principal product lines of building materials of the Group were perceived by the market due to its green, environmental friendly and energy saving characteristics. Besides, the steady development of property markets where the Group is covering provide a good prospect for the ready-mixed concrete and PC assembly plate business of the Group. Leveraging on the increase in new contract orders and higher selling prices from ready-mixed concrete and PC assembly plate sectors, the revenue and operating profit for this segment of business marked a substantial increase.



## Management Discussion and Analysis

The revenue breakdown of the Group's building materials for the six months ended 30 June 2019 is analysed below:

	For the six months ended 30 June				Change
	2019		2018		
	RMB'000	% the total	RMB'000	% the total	
Curtain Wall	588,030	40%	586,250	53%	0%
Furnishings and Interior Decorations	143,095	10%	115,308	11%	24%
Ready-mixed Concrete	500,017	34%	231,937	21%	116%
PC Assembly Plate	134,948	9%	59,640	5%	126%
Wooden Products and Fireproof Materials	51,019	3%	53,165	5%	-4%
Steel Structure	27,865	2%	21,303	2%	31%
Others	36,868	2%	35,731	3%	3%
<b>Total</b>	<b>1,481,842</b>	<b>100%</b>	<b>1,103,334</b>	<b>100%</b>	<b>34%</b>

### Business Prospect

The Central Political Bureau of the Communist Party of China's meeting held on 30 July 2019 pronounced various important judgments and instructions on the current economic situation and future development of China. The meeting pointed out that there are still many difficulties and obstacles that China are facing with in terms of internal and external economic fallback. Affected by the Sino-US trade disputes, the United States government continues to impose increasing tariffs on China exports to the United States, which shall carry continuing negative impact against China's economy, exports, employment and capital market. In this regard, we must rely on increasing domestic consumption, explore demand driven initiatives, stimulate village economy in an effective manner, and call for domestic consumption by implementing changes. Besides, we must maintain consistent investment in manufacturing, implement revitalization and reconstruction of aged urban areas, urban parking lots, urban and rural cold chain logistics facilities, and other short-range construction projects, and accelerate the construction of new infrastructural projects such as information networks.

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

In the midst of facing various challenges, the construction industry will remain its core position as a pillar industry of the national economy due to its sizable volume. Urbanization is the only way for China's modernization, and it is also a powerful engine to maintain sustainable and healthy economic development. China's urbanization will continue to remain a dominant position for a long time and will bring forth a huge construction market demand in the years to come. In the past, the construction industry has maintained a steady growth trend, but there was a fundamental change in quality demand. With the advent of China's aging society and rising labor costs, the construction industry will also change from a labor-intensive industry to an industrialized modern manufacturing industry.

The Group's construction business has been deeply cultivating the Chinese construction market for more than 40 years and has accumulated rich construction experience and established a brand reputation. Since the 1990s, the Group has also explored the development of a "three-in-one" business development model for construction, real estate development and construction industrialization. In the future, the Group will continue to seize the historical opportunity of the country's revitalization and urbanization programs, taking the advantages of the Group's advanced construction methodologies and building industrialization processes to enhance the Group's construction capability and business development model.

## Management Discussion and Analysis

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

China's housing system has always been a crucial part of macro-economic regulation. Before 1978, houses were appropriated as part of the people's welfare package. Since 1978, the economic system was changed from a planned economy to a market economy, and the commercialization of housing was then introduced. In 1998, the housing reform made an advanced step forward. In 2003, housing was driven by the demand and supply equilibrium of commercialized housing. "Housing is used for living, not for speculation" was first introduced in 2016. In 2019, the central government reemphasized the point of "housing is for living and not for speculation" for the first time, pursuant to which it specifies that the government shall not use real estate market as an interim short term measure to stimulate the economy and shall adopt real estate long-term effective management mechanism. In the past few years, the rapid advancement of demolition and relocation by cash indemnity have rapidly pushed up housing prices in third- and fourth-tier cities. In the future, under the background of "stabilizing housing prices, land prices and expectations", the real estate industry will bid farewell to short-term stimulation policy and instead will bridge long-term institutional breakthroughs. Each city shall adopt its own development policy as its mainstream, and financial ease policy will continue to be tightened up.

Facing the complicated real estate market, the Group always insists on the initial intention and always adheres to the concept of "Baoye builds good houses". Based on the advantages of the Group's construction industrialization, we always insist on providing comfortable, energy-saving and environmentally-friendly high-tech houses for the community. We always believe that if housing, as a comprehensive common carrier of human lifestyle, has changed, community will change. In the future, Baoye will continue to cultivate the market to which it is familiar and to build century-lasting low-carbon technology housing.

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

Construction industrialization is to reorganize the traditional construction industry in the form of industrialization and manufacturing. It will greatly improve labor efficiency, improve building quality, and save construction costs. Simultaneously, the industrialization of construction runs through the entire industrial root-chain from construction, building materials to real estate. It will become another 100 billion-size manufacturing industry after automobiles and home appliances. With more than 40 years of accumulation in the construction business and more than 20 years of exploration in the construction industrialization area, the Group has now become one of the benchmark enterprises in the field of construction industrialization. In the future, in order to respond to the national call and adapt to the trend of the times, Baoye will apply the technical achievements of construction industrialization to the construction and real estate development sectors, and play a leading role in promoting the application of construction industrialization in China.

## 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.

## Management Discussion and Analysis

### 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 18.4% (same period of 2018: 29%) of the total borrowings (including bank borrowings and corporate bonds). In addition, approximately 66.3% of the total borrowings (same period of 2018: 62.2%) were guaranteed by the Company, approximately 1.7% of the total borrowings (same period of 2018: 4.0%) were jointly guaranteed by the Company and non-controlling interests, approximately 1.5% of the total borrowings (same period of 2018: Nil) were jointly guaranteed by the chairman of the Board, Mr. Pang Baogen and the Company 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.

On 28 March 2019, the Company issued the first tranche of super short-term debentures for the year of 2019 with a total amount of RMB300 million. The net proceeds after deduction of the related issuance cost from the above issue of super short-term debentures was RMB299,625,000. The debentures were issued under the National Association of Financial Market Institutional Investors of the People's Republic of China (中國銀行間市場交易商協會). For further details of the issuance of the debentures, please refer to the announcement of the Company dated 28 March 2019.

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 2019, the untapped banking facilities of the Group amount to approximately RMB5.4 billion. Details of which are analyzed below:

	As at 30 June	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents	<b>4,770,439</b>	3,362,411
Term deposits with initial term of over three months	<b>198,603</b>	119,775
Restricted bank deposits	<b>716,517</b>	958,328
Less: total borrowings	<b>(3,365,308)</b>	(2,165,652)
Net cash	<b>2,320,251</b>	2,274,862
Total equity attributable to the owners of the Company	<b>8,667,952</b>	7,904,037
Net cash ratio	<b>27%</b>	29%

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

## Management Discussion and Analysis

### Material Disposal

During the period, the Group has disposed of its 33% equity interest in Hebao (Nantong) Real Estate Development Co., Ltd for reallocating the Group's financial resources to more familiar and experienced areas. Please refer to the announcement of the Company dated 29 March 2019 and the related financial information disclosed in note 9(a) "Investments in associates" of interim financial information.

### Other Key Financial Ratios

	For the six months ended/ As at 30 June	
	2019	2018
Return on equity	<b>3.82%</b>	5.56%
Net assets value per share (RMB yuan)	<b>15.41</b>	14.05
Current ratio	<b>1.19</b>	1.21

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 under review, the profit attributable to the owners of the Company achieved approximately RMB331,146,000, representing a decrease of approximately 25% compared to the same period last year, mainly due to the decrease of recognised GFA of property units compared to the same period last year. The return on equity decreased by 31% compared with the same period last year while net assets value per share represented an increase of 10%. As at 30 June 2019, the Group has continued to maintain a net cash position, of which the net cash ratio is approximately 27%.

### Cash Flow Analysis

	Note	For the six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Net cash inflow from operating activities	(i)	<b>239,948</b>	1,228,650
Net cash outflow from investing activities	(ii)	<b>(351,653)</b>	(726,362)
Net cash inflow from financing activities	(iii)	<b>1,183,892</b>	283,194
Net increase in cash and cash equivalents		<b>1,072,187</b>	785,482
Exchange gains on cash and cash equivalents		-	1,212

## Management Discussion and Analysis

Note:

- (i) During the period under review, the net cash inflow from operating activities was approximately RMB239,948,000, representing a decrease of approximately RMB988,702,000 compared to the same period last year, which was mainly due to the decrease in presale cash inflow from property projects.
- (ii) During the period under review, the net cash outflow from investing activities was approximately RMB351,653,000, which was mainly attributed by capital expenditure on property, plant and equipment of approximately RMB317,319,000.
- (iii) During the period under review, the net cash inflow from financing activities was approximately RMB1,183,892,000, which was mainly attributed by increased bank borrowings to meet cash demand.

### Other gains – net

Other gains – net amounted to approximately RMB81,323,000 for the six months ended 30 June 2019, representing a significant increase of approximately RMB68,987,000 from the same period last year, which was primarily attributable to the gains of RMB48,470,000 and RMB5,667,000 generated from the disposals of equity interest in Hebao and Baohong Group respectively. Please refer to the related financial information disclosed in notes 9(a) and 27 of the interim financial information.

### Administrative Expenses

The Group's administrative expenses amounted to approximately RMB349,992,000 for the six months ended 30 June 2019 as compared to approximately RMB239,403,000 for the same period last year, representing an increase of 46%, which was primarily due to the increase in employees' salaries and benefits and depreciation and amortisation charges attributable to the expansion of the Group's construction materials business.

### Finance Costs – Net

For the six months ended 30 June 2019, the Group had recorded net financing costs of approximately RMB23,511,000 (same period of 2018: 9,439,000), representing an increase of approximately RMB14,072,000 compared to the same period last year, mainly due to increased borrowings to meet cash demand of the Group's property development and construction materials business.

### Income tax expense

For the six months ended 30 June 2019, income tax expense comprised of PRC corporate income tax of RMB141,488,000 (same period of 2018: RMB158,661,000) and PRC land appreciation tax of RMB32,439,000 (same period of 2018: RMB48,709,000), representing a total decrease of approximately RMB33,443,000 compared to the same period last year, which was mainly due to the decrease in profit before tax.

The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial Reporting Standards in accounting for PRC land appreciation tax provision, and has also prepaid the land appreciation taxes based on the sale values multiplied by certain assessed rates determined by the respective local tax authorities where the properties are located.

## Management Discussion and Analysis

### Financial Guarantees

	30 June 2019 RMB'000	31 December 2018 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	<b>869,182</b>	913,832

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

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

As at 30 June 2019, right-of-use for land (as at 31 December 2018: land use rights), property, plant and equipment, completed properties held for sale and properties under development with an aggregate carrying value of approximately RMB1,155,547,000 (as at 31 December 2018: RMB567,419,000) 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 has resolved not to declare an interim dividend for the six months ended 30 June 2019 (same period of 2018: nil).

# CORPORATE GOVERNANCE



# 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 Rules Governing the Listing of Securities on The Stock Exchanges of Hong Kong Limited, the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules 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 Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "CG Code"), except for deviation from provisions of the CG Code as mentioned below:

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

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

## Board of Directors

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

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

## Independent Non-executive Directors

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



## Corporate Governance

### Board Committees

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

### Audit Committee

As at the date of this announcement, the audit committee of the Company consists of two independent non-executive Directors, namely, Mr. Chan, Dennis Yin Ming and Mr. Li Wangrong and one non-executive Director, Mr. Fung Ching, Simon, with Mr. Chan, Dennis Yin Ming as the chairman of the audit committee. The audit committee held two meetings, and discussed the accounting policies as well as critical accounting estimates and assumptions with the management and discussed with the auditors on the audit plan and key audit areas. The audit objectives of internal audit department of the Group were also discussed. The interim results of the Group for the six months ended 30 June 2019 had been reviewed by the audit committee before being approved by the Board.

### 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 LLP as the Company's PRC statutory auditor were approved at the annual general meeting held on 24 June 2019.

### 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 Rulers (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 2019. 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.

## Investors Relations

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

## Substantial Shareholders of H Shares

As at the date of this report, so far as was known to the Directors, the following persons, other than Directors, Supervisors and senior management of the Company, have an interest in the shares of the Company as recorded in the register required to be kept under the Section 336 of the The SFO and which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity	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	Interest of spouse	29,304,000	13.83%	5.21%
Zhu Yicai (note 1)	Interest of spouse	29,304,000	13.83%	5.21%

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 2019, the Company has a total of 562,664,053 shares, of which 211,922,000 shares were H shares.

# OTHER INFORMATION

## Interests of Directors, Supervisors, Chief Executive and Senior Management

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

Directors/Supervisors/ Senior Management	Relevant Entity	Capacity	Number of Domestic Shares (Long Position)	Number of H Shares (Long Position)	Approximate Percentage of the Total Registered Capital of the Relevant Entity
<b>Directors</b>					
Mr. Pang Baogen	The Company	Individual	193,753,054	–	34.43%
Mr. Gao Jiming	The Company	Individual	12,059,254	–	2.14%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.70%
Mr. Gao Jun	The Company	Individual	5,794,259	–	1.03%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.43%
<b>Supervisors</b>					
Wang Jianguo	The Company	Individual	5,250,290	–	0.93%
Wang Jianguo	Zhejiang Baoye Curtain Wall Decoration	Individual	42,700,001	–	16.94%
Xu Gang	The Company	Individual	6,790,159	–	1.21%
<b>Senior Management</b>					
Mr. Lou Zhonghua	The Company	Individual	4,533,172	–	0.81%
Mr. Wang Rongbiao	The Company	Individual	2,647,911	–	0.47%

## 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 2019, the Group had a total of approximately 5,726 permanent employees (as at 30 June 2018: 5,332). Also, there were approximately 71,765 indirectly employed construction site workers (as at 30 June 2018: 71,968). These workers were not directly employed by the Group. For the six months ended 30 June 2019, the total employee benefit expenses amounted to approximately RMB2,331,940,000 (the same period in 2018: RMB2,407,140,000). 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 (the "Listing Rules").

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

## 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 can't be withdrawn upon maturity.

## Other Information

### 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

23 August, 2019

# 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 30 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 2019 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## Conclusion

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

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 23 August 2019

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# INTERIM FINANCIAL INFORMATION

## Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	4,10	–	616,765
Property, plant and equipment	10	2,189,411	2,077,820
Right-of-use assets	4,10	640,139	–
Investment properties	10	742,768	742,768
Goodwill		16,534	16,534
Investments in joint ventures	8(a)	258,634	244,322
Loans to joint ventures	8(b)	458,346	325,914
Investments in associates	9(a)	44,991	323,693
Loans to associates	9(b)	228,450	622,549
Financial assets at fair value through other comprehensive income	6	232,801	232,801
Financial assets at fair value through profit or loss	6	9,224	8,727
Deferred income tax assets		263,027	237,224
		<b>5,084,325</b>	5,449,117
<b>Current assets</b>			
Inventories		262,732	243,392
Properties under development		5,607,416	3,685,492
Completed properties held for sale		3,104,954	3,429,544
Contract assets and contract acquisition costs	13	4,810,407	3,681,687
Trade receivables	11	4,351,783	3,943,479
Other receivables and prepayments	12	2,138,592	4,126,542
Loans to joint ventures	8(b)	608,914	61,385
Loans to associates	9(b)	11,102	11,102
Financial assets at fair value through profit or loss	6	535,000	517,820
Restricted bank deposits		716,517	628,485
Term deposits with initial term of over three months		198,603	85,704
Cash and cash equivalents		4,770,439	3,698,252
		<b>27,116,459</b>	24,112,884
<b>Total assets</b>		<b>32,200,784</b>	29,562,001
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	14	562,664	562,664
Share premium	14	481,433	481,433
Reserves	15	205,263	205,263
Retained earnings		7,418,592	7,087,446
		<b>8,667,952</b>	8,336,806
<b>Non-controlling interests</b>		<b>250,094</b>	230,734
<b>Total equity</b>		<b>8,918,046</b>	8,567,540

## INTERIM FINANCIAL INFORMATION

## Interim Condensed Consolidated Balance Sheet (continued)

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	17	281,000	434,057
Lease liabilities	4	5,843	–
Deferred income tax liabilities		190,286	143,400
		<b>477,129</b>	577,457
<b>Current liabilities</b>			
Contract liabilities		7,335,907	6,522,661
Trade payables	16(a)	6,733,938	6,934,169
Other payables	16(b)	5,313,118	4,628,528
Lease liabilities	4	7,519	–
Bank borrowings	17	2,784,537	1,865,430
Current income tax liabilities		330,819	466,216
Corporate bonds	18	299,771	–
		<b>22,805,609</b>	20,417,004
<b>Total liabilities</b>		<b>23,282,738</b>	20,994,461
<b>Total equity and liabilities</b>		<b>32,200,784</b>	29,562,001

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

Approved by the Board of Directors on 23 August 2019 and were signed on its behalf.

**Mr. Pang Baogen**  
Director

**Mr. Gao Jiming**  
Director



## INTERIM FINANCIAL INFORMATION

## Interim Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Revenue	7	11,450,605	11,483,063
Cost of sales	21	(10,604,568)	(10,576,399)
<b>Gross profit</b>		<b>846,037</b>	906,664
Other income	19	44,249	54,590
Other gains – net	20	81,323	12,336
Selling and marketing costs	21	(49,228)	(42,003)
Administrative expenses	21	(349,992)	(239,403)
Net impairment losses on financial and contract assets		(26,187)	(14,746)
<b>Operating profit</b>		<b>546,202</b>	677,438
Finance income	22	6,929	–
Finance costs	22	(30,440)	(9,439)
Finance costs – net	22	(23,511)	(9,439)
Share of results of joint ventures	8(a)	(4,807)	(2,527)
Share of results of associates	9(a)	(8,388)	(3,529)
<b>Profit before income tax</b>		<b>509,496</b>	661,943
Income tax expense	23	(173,927)	(207,370)
<b>Profit for the period</b>		<b>335,569</b>	454,573
<b>Profit attributable to:</b>			
– Owners of the Company		331,146	439,202
– Non-controlling interests		4,423	15,371
		<b>335,569</b>	454,573
<b>Earnings per share for profit attributable to the owners of the Company</b>			
– Basic and diluted (expressed in RMB yuan per share)	24	0.59	0.76

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

## INTERIM FINANCIAL INFORMATION

## Interim Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
<b>Profit for the period</b>	<b>335,569</b>	454,573
Other comprehensive income for the period, net of tax	–	–
<b>Total comprehensive income for the period</b>	<b>335,569</b>	454,573
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	<b>331,146</b>	439,202
– Non-controlling interests	<b>4,423</b>	15,371
	<b>335,569</b>	454,573

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

## INTERIM FINANCIAL INFORMATION

## Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Reserves	Retained earnings	Total			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2018</b>	586,210	565,872	200,114	6,220,624	7,572,820	191,750	7,764,570	
<b>Comprehensive income</b>								
Profit for the period	-	-	-	439,202	439,202	15,371	454,573	
<b>Total comprehensive income for the period</b>	-	-	-	439,202	439,202	15,371	454,573	
<b>Transactions with owners in their capacity as owners</b>								
Buy-back and cancellation of shares	(23,546)	(84,439)	-	-	(107,985)	-	(107,985)	
Capital contributions by non-controlling interests	-	-	-	-	-	3,150	3,150	
Dividends to non-controlling interests	-	-	-	-	-	(15,500)	(15,500)	
Liquidation of a subsidiary	-	-	-	-	-	(2,008)	(2,008)	
<b>Total transactions with owners</b>	(23,546)	(84,439)	-	-	(107,985)	(14,358)	(122,343)	
<b>Balance at 30 June 2018</b>	562,664	481,433	200,114	6,659,826	7,904,037	192,763	8,096,800	

## INTERIM FINANCIAL INFORMATION

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

	Unaudited						
	Attributable to the owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at 1 January 2019</b>	562,664	481,433	205,263	7,087,446	8,336,806	230,734	8,567,540
<b>Comprehensive income</b>							
Profit for the period	-	-	-	331,146	331,146	4,423	335,569
<b>Total comprehensive income for the period</b>	-	-	-	331,146	331,146	4,423	335,569
<b>Transactions with owners in their capacity as owners</b>							
Capital contributions by non-controlling interests	-	-	-	-	-	14,937	14,937
<b>Balance at 30 June 2019</b>	562,664	481,433	205,263	7,418,592	8,667,952	250,094	8,918,046

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

## INTERIM FINANCIAL INFORMATION

## Interim Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	613,279	1,603,224
Interest paid	(85,071)	(49,100)
Income tax paid	(288,260)	(325,474)
<b>Net cash generated from operating activities</b>	<b>239,948</b>	1,228,650
<b>Cash flows from investing activities</b>		
Payments for investments in joint ventures	(700)	–
Loans to joint ventures	(685,792)	(13,509)
Payments for investments in associates	–	(154,225)
Repayments of loans by associates	401,128	–
Loans to associates	–	(310,991)
Purchases of financial assets at fair value through profit or loss	(295,000)	(384,050)
Disposal of financial assets at fair value through profit or loss	289,941	256,034
Disposal of an associate	318,784	–
Disposal of subsidiaries	4,202	–
Advances from government for housing demolition and relocation	40,000	142,411
Purchases of property, plant and equipment	(317,319)	(238,200)
Disposal of property, plant and equipment	65	1,335
Purchases of right-of-use for land	(34,183)	(43,030)
Increase of term deposits with initial term of over three months	(112,899)	(29,576)
Interest received	40,120	47,439
<b>Net cash used in investing activities</b>	<b>(351,653)</b>	(726,362)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2,461,717	1,200,725
Repayments of borrowings	(1,628,600)	(790,100)
Issue of corporate bonds	299,625	–
Principal elements of lease payments	(4,023)	–
Buy-back of shares	–	(105,369)
Capital contributions by non-controlling interests	14,937	3,150
Advances from non-controlling interests	40,236	–
Repayments of advances from non-controlling interests	–	(9,712)
Dividends paid to non-controlling interests	–	(15,500)
<b>Net cash generated from financing activities</b>	<b>1,183,892</b>	283,194
<b>Net increase in cash and cash equivalents</b>	<b>1,072,187</b>	785,482
Cash and cash equivalents at beginning of the period	3,698,252	2,575,717
Exchange gains on cash and cash equivalents	–	1,212
<b>Cash and cash equivalents at end of the period</b>	<b>4,770,439</b>	3,362,411

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

## 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 Township, Keqiao District Shaoxing City, Zhejiang Province, the PRC.

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

Unless otherwise stated, this interim financial information for the six months ended 30 June 2019 (“Interim Financial Information”) is presented in Renminbi (“RMB”). The Interim Financial Information has not been audited.

### 2 Basis of Preparation

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The Interim Financial Information should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2018 (“2018 Financial Statements”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and disclosure requirements of the Stock Exchange of Hong Kong Limited, and any public announcements made by the Company during the interim reporting period.

### 3 Accounting Policies

The accounting policies applied are consistent with those of 2018 Financial Statements, except for the adoption of new and amendments to HKFRSs effective for the financial year beginning 1 January 2019.

- (a) A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 “Leases” (“HKFRS 16”).

The impact of the adoption of the standard are disclosed in Note 4 and the new accounting policy adopted are set out in Note 3(c) below.

## INTERIM FINANCIAL INFORMATION

### Notes to the Interim Financial Information (continued)

#### 3 Accounting Policies (continued)

- (b) New and revised standards and amendments to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted:

		<b>Effective for the financial year beginning on or after</b>
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Revised Conceptual Framework for Financial Reporting		1 January 2020
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

None of the above new and revised standards, amendments and interpretations to existing standards is expected to have a significant impact on the Group's accounting policies.

#### (c) The Group's leasing activities and how these are accounted for

The Group leases various warehouses, buildings and land. Rental contracts are typically made for fixed periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease; leases of land were classified as land use rights.

From 1 January 2019, leases of property, plant and equipment are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, leases of land are reclassified as right-of-use for land.

## INTERIM FINANCIAL INFORMATION

**3 Accounting policies** (continued)**(c) The Group's leasing activities and how these are accounted for** (continued)

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

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

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

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

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

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

**4 Change in Accounting Policies**

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in Note 3(c).

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.27%.



## INTERIM FINANCIAL INFORMATION

## Notes to the Interim Financial Information (continued)

## 4 Change in Accounting Policies (continued)

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	25,305
Discounted using the lessee's incremental borrowing rate at the date of initial application	19,932
Less: short-term leases recognised on a straight-line basis as expense	(2,993)
<b>Lease liability recognised as at 1 January 2019</b>	<b>16,939</b>
Of which are:	
Current lease liabilities	7,140
Non-current lease liabilities	9,799
	<b>16,939</b>
<b>Lease liability recognised as at 30 June 2019</b>	<b>13,362</b>
Of which are:	
Current lease liabilities	7,519
Non-current lease liabilities	5,843
	<b>13,362</b>

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of assets:

	30 June 2019 RMB'000	1 January 2019 RMB'000
Properties	13,476	16,939
Land use rights	626,663	616,765
	<b>640,139</b>	633,704

## INTERIM FINANCIAL INFORMATION

## 4 Change in Accounting Policies (continued)

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	RMB'000
Increase in right-of-use assets	633,704
Decrease in land use rights	(616,765)
Increase in lease liabilities	(16,939)

There was no impact on the retained earnings on 1 January 2019.

### (i) Impact on earnings per share

The impact on earnings per share for the six months to 30 June 2019 as a result of the adoption of HKFRS 16 was immaterial.

### (ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease”.

## 5 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 2018 Financial Statements.

## INTERIM FINANCIAL INFORMATION

## Notes to the Interim Financial Information (continued)

## 6 Financial Risk Management

## 6.1 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 2018 Financial Statements.

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

## 6.2 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 2019				
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Principal of bank borrowings	2,784,537	130,000	66,000	85,000	3,065,537
Interest of bank borrowings	97,322	13,228	16,342	11,070	137,962
Principal of corporate bonds	300,000	-	-	-	300,000
Interest of corporate bonds	11,762	-	-	-	11,762
Trade payables	6,733,938	-	-	-	6,733,938
Other payables (excluding other taxes payable, advance and salaries payables)	4,469,287	-	-	-	4,469,287
Lease liabilities	8,046	5,916	-	-	13,962
Financial guarantees	869,182	-	-	-	869,182
	<b>15,274,074</b>	<b>149,144</b>	<b>82,342</b>	<b>96,070</b>	<b>15,601,630</b>

	As at 31 December 2018				
	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 borrowings	1,865,430	291,320	57,737	85,000	2,299,487
Interest of bank borrowings	58,008	11,796	16,879	13,491	100,174
Trade payables	6,934,169	-	-	-	6,934,169
Other payables (excluding other taxes payable, advance and salaries payables)	3,667,067	-	-	-	3,667,067
Financial guarantees	913,832	-	-	-	913,832
	<b>13,438,506</b>	<b>303,116</b>	<b>74,616</b>	<b>98,491</b>	<b>13,914,729</b>

## INTERIM FINANCIAL INFORMATION

## 6 Financial Risk Management (continued)

### 6.2 Liquidity risk (continued)

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

### 6.3 Fair value estimation

The following tables present the Group's financial assets that are measured at fair value at 30 June 2019 and 31 December 2018.

	As at 30 June 2019			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	–	–	535,000	535,000
– Listed equity securities	9,224	–	–	9,224
Financial assets at fair value through other comprehensive income ("Financial assets at FVOCI")				
– Unlisted equity securities	–	–	232,801	232,801
	9,224	–	767,801	777,025

	As at 31 December 2018			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at FVPL				
– Bank financial products	–	–	517,820	517,820
– Listed equity securities	8,727	–	–	8,727
Financial assets at FVOCI				
– Unlisted equity securities	–	–	232,801	232,801
	8,727	–	750,621	759,348

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)

## 6 Financial Risk Management (continued)

## 6.3 Fair value estimation (continued)

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
At 1 January	750,621	481,518
Additions	295,000	384,050
Disposals	(277,820)	(256,034)
Fair value changes	-	6,784
At 30 June	767,801	616,318
Gains recognised in 'Other gains – net'	12,121	6,784

## 6.4 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.

## 6.5 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.

## 7 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 2019 compared to 2018.

Sales between segments are carried out on terms agreed upon by the respective parties. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated income statement.

Capital expenditure comprises additions to right-of-use for land, right-of-use for property, plant and equipment, property, plant and equipment and investment properties (Note 10).

## INTERIM FINANCIAL INFORMATION

**7 Segment Information (continued)**

The segment information provided to executive directors for the reportable segments for the six months ended 30 June 2019 and 2018 are as follows:

	Six months ended 30 June 2019				
	Construction	Property development	Building materials	Others	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	9,744,657	723,994	1,786,992	237,944	12,493,587
Recognised at a point in time	-	457,157	1,065,455	226,340	1,748,952
Recognised over time	9,744,657	266,837	721,537	11,604	10,744,635
Revenue from other sources					
Rental income	-	-	-	54,407	54,407
Total segment revenue	9,744,657	723,994	1,786,992	292,351	12,547,994
Less: inter-segment revenue	(656,510)	-	(305,150)	(135,729)	(1,097,389)
<b>Revenue (from external customers)</b>	<b>9,088,147</b>	<b>723,994</b>	<b>1,481,842</b>	<b>156,622</b>	<b>11,450,605</b>
<b>Operating profit/segment results</b>	<b>226,981</b>	<b>259,329</b>	<b>39,046</b>	<b>20,846</b>	<b>546,202</b>
Depreciation	20,469	8,756	41,344	16,228	86,797
Amortisation	3,922	-	3,390	1,161	8,473
Net impairment losses on financial and contract assets	17,537	837	7,048	765	26,187

## INTERIM FINANCIAL INFORMATION

## Notes to the Interim Financial Information (continued)

## 7 Segment Information (continued)

	Six months ended 30 June 2018				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Revenue from contracts with customers	8,907,232	1,929,594	1,269,215	70,244	12,176,285
Recognised at a point in time	–	1,576,060	567,657	58,992	2,202,709
Recognised over time	8,907,232	353,534	701,558	11,252	9,973,576
Revenue from other sources					
Rental income	–	–	–	53,266	53,266
Total segment revenue	8,907,232	1,929,594	1,269,215	123,510	12,229,551
Less: inter-segment revenue	(574,074)	–	(165,881)	(6,533)	(746,488)
<b>Revenue (from external customers)</b>	<b>8,333,158</b>	<b>1,929,594</b>	<b>1,103,334</b>	<b>116,977</b>	<b>11,483,063</b>
<b>Operating profit/segment results</b>	<b>246,603</b>	<b>384,923</b>	<b>23,804</b>	<b>22,108</b>	<b>677,438</b>
Depreciation	17,396	4,220	27,275	15,864	64,755
Amortisation	3,820	–	1,911	1,247	6,978
Net impairment losses on financial and contract assets	10,069	3,191	1,371	115	14,746

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 2019 and 2018.

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

## Analysis of revenue by category

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Provision of construction services	<b>9,088,147</b>	8,333,158
Sale of properties	<b>723,994</b>	1,929,594
Sale of building materials	<b>1,481,842</b>	1,103,334
Rental income	<b>54,407</b>	53,266
Others	<b>102,215</b>	63,711
	<b>11,450,605</b>	11,483,063

## INTERIM FINANCIAL INFORMATION

## 8 Investments in Joint Ventures and Loans to Joint Ventures

## (a) Investments in joint ventures

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
At 1 January	244,322	126,783
Transfer from investments in subsidiaries (Note 27)	17,000	–
Other additions	700	–
Share of results	(4,807)	(2,527)
Adjustment for transactions between the Group and joint ventures	1,419	104
At 30 June	258,634	124,360
Represented by share of net assets	258,634	124,360

## (b) Loans to joint ventures

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
At 1 January	393,822	374,453
Additions (i)	685,792	13,509
Interest accrued	1,081	1,103
Less: provision for loss allowance	1,080,695 (13,435)	389,065 (6,485)
At 30 June	1,067,260	382,580
Less: current portion	(608,914)	–
Non-current portion	458,346	382,580

- (i) Additions during the period mainly represented the loans of RMB552,022,000 to Zhejiang Baohong Construction Industry Co., Ltd and its subsidiaries (“Baohong Group”), arising from the disposal of Baohong Group at the end of June 2019 (Note 27).

RMB584,492,000 (31 December 2018: RMB54,492,000) of loans to joint ventures are interest-bearing at market lending rates ranging from 4% to 5.28% (31 December 2018: at 4%) with maturity within one year, and the remaining amounts of the loans are interest-free, unsecured and repayable on demand.



## INTERIM FINANCIAL INFORMATION

## Notes to the Interim Financial Information (continued)

## 9 Investments in Associates and Loans to Associates

## (a) Movements of investments in associates are analysed as follows:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
At 1 January	323,693	15,547
Additions	–	313,090
Disposals (i)	(270,314)	–
Share of results	(8,388)	(3,529)
At 30 June	44,991	325,108
Represented by share of net assets	44,991	325,108

- (i) During the period, the Group entered into an agreement with Daiwa House Industry Co., Ltd to dispose of its 33% equity interest in Hebao (Nantong) Real Estate Development Co., Ltd (“Hebao”) for a cash consideration of RMB307,329,000, which resulted in a disposal gain of RMB37,015,000 and a foreign exchange gain of RMB11,455,000, totaling RMB48,470,000 (Note 20).

## (b) Movements of loans to associates are analysed as follows:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
At 1 January	639,995	230,939
Additions	–	310,991
Repayments (i)	(401,128)	–
Interest accrued	3,048	6,048
Less: provision for loss allowance	241,915 (2,363)	547,978 (5,480)
At 30 June	239,552	542,498
Less: current portion	(11,102)	–
Non-current portion	228,450	542,498

- (i) Repayments during the period mainly represented the repayment of the loan by Hebao, following the disposal of the Group’s equity interest in Hebao.

As at 30 June 2019, loans to associates are interest-free, unsecured and repayable on demand.

## INTERIM FINANCIAL INFORMATION

## 10 Right-of-use Assets, Land use Rights, Property, Plant and Equipment and Investment Properties

	Right-of-use for land RMB'000	Right-of-use for property, plant and equipment RMB'000	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000
<b>Six months ended 30 June 2018</b>					
At 1 January 2018	–	–	1,473,768	491,382	617,169
Additions	–	–	240,890	43,030	–
Disposals	–	–	(1,196)	–	–
Amortisation/depreciation	–	–	(64,755)	(6,978)	–
At 30 June 2018	–	–	1,648,707	527,434	617,169
<b>Six months ended 30 June 2019</b>					
At 31 December 2018	–	–	2,077,820	616,765	742,768
Adjustment on adoption of HKFRS 16 (Note 4)	616,765	16,939	–	(616,765)	–
At 1 January 2019	616,765	16,939	2,077,820	–	742,768
Additions	34,183	55	317,319	–	–
Interest capitalised (Note 22)	–	–	6,415	–	–
Disposal of subsidiaries	(15,812)	–	(128,582)	–	–
Other disposals	–	–	(282)	–	–
Amortisation/depreciation	(8,473)	(3,518)	(83,279)	–	–
At 30 June 2019	626,663	13,476	2,189,411	–	742,768

The valuations of investment properties at 30 June 2019 and 30 June 2018 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 Trade Receivables

	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade receivables	4,575,758	4,151,346
Less: provision for loss allowance	(223,975)	(207,867)
	<b>4,351,783</b>	3,943,479

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 are set for property development business.

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

	30 June 2019 RMB'000	31 December 2018 RMB'000
Within 3 months	2,032,104	2,190,293
3 months to 1 year	1,412,939	903,253
1 to 2 years	713,390	478,874
2 to 3 years	149,249	394,229
Over 3 years	268,076	184,697
	<b>4,575,758</b>	4,151,346

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the six months ended 30 June 2019, a provision of RMB16,108,000 (six months ended 30 June 2018: RMB11,049,000) 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

## 12 Other Receivables and Prepayments

	30 June 2019 RMB'000	31 December 2018 RMB'000
<b>Others receivables:</b>		
– Retention money and project deposits	992,867	1,031,634
– Advances to project managers (i)	204,934	240,870
– Bidding deposits for land use rights for property development	24,552	50,652
– Others	115,291	128,538
	<b>1,337,644</b>	1,451,694
Less: provision for loss allowance	<b>(6,689)</b>	(7,005)
	<b>1,330,955</b>	1,444,689
<b>Prepayments:</b>		
– Prepayments for land use rights for property development	488,143	2,485,988
– Prepaid taxes and levies	102,840	98,122
– Prepayments for buy-back of shares	2,440	2,433
– Others	214,214	95,310
	<b>807,637</b>	2,681,853
Other receivables and prepayments	<b>2,138,592</b>	4,126,542

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

## INTERIM FINANCIAL INFORMATION

## Notes to the Interim Financial Information (continued)

## 13 Contract Assets and Contract Acquisition Costs

Details of contract assets and contract acquisition costs are as follows:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Related to construction services	4,269,313	3,158,981
Related to sale of properties	8,847	–
Related to sale of building materials	543,396	526,391
	<b>4,821,556</b>	3,685,372
Less: provision for loss allowance	<b>(11,149)</b>	(3,685)
Total contract assets and contract acquisition costs	<b>4,810,407</b>	3,681,687

## 14 Share Capital and Premium

	Number of shares (thousands of RMB1 each)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2019 and 30 June 2019				
– Domestic shares	350,742	350,742	–	350,742
– H shares	211,922	211,922	481,433	693,355
	<b>562,664</b>	<b>562,664</b>	<b>481,433</b>	<b>1,044,097</b>
At 1 January 2018				
– Domestic shares	350,742	350,742	–	350,742
– H shares	235,468	235,468	565,872	801,340
	586,210	586,210	565,872	1,152,082
Buy-back and cancellation of shares				
– H shares	(23,546)	(23,546)	(84,439)	(107,985)
At 30 June 2018				
– 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

## INTERIM FINANCIAL INFORMATION

## 15 Reserves

	Financial assets fair value reserve RMB'000	Statutory surplus reserve RMB'000	Others RMB'000	Total RMB'000
<b>Six months ended 30 June 2019</b>				
At 1 January 2019 and 30 June 2019	400	214,073	(9,210)	205,263
	AFS reserve RMB'000	Statutory surplus reserve RMB'000	Others RMB'000	Total RMB'000
<b>Six months ended 30 June 2018</b>				
At 1 January 2018	5,519	206,720	(6,606)	205,633
Adjustment on adoption of HKFRS 9	(5,519)	–	–	(5,519)
Restated balance at 1 January 2018 and at 30 June 2018	–	206,720	(6,606)	200,114

## 16 Trade Payables and other Payables

## (a) Trade payables

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

	30 June 2019 RMB'000	31 December 2018 RMB'000
Within 3 months	2,412,413	2,448,729
3 months to 1 year	2,486,117	2,291,515
1 to 2 years	1,153,301	1,470,413
2 to 3 years	383,261	333,999
Over 3 years	298,846	389,513
	<b>6,733,938</b>	6,934,169

## INTERIM FINANCIAL INFORMATION

## Notes to the Interim Financial Information (continued)

16 Trade Payables and other Payables (continued)  
(b) Other payables

	30 June 2019 RMB'000	31 December 2018 RMB'000
Deposits from project managers	2,316,156	1,884,310
Amounts due to non-controlling interests (i)	939,500	899,264
Advances from government for housing demolition and relocation (ii)	483,677	443,677
Deposits from property purchasers	371,398	243,122
Other taxes payable	296,171	447,664
Salaries payables	63,983	70,120
Others	842,233	640,371
	<b>5,313,118</b>	4,628,528

- (i) The amounts due to non-controlling interests are non-trading in nature, and interest-free, unsecured and repayable on demand.
- (ii) Amount represents advances received from the government for housing demolition and relocation projects. The amount will be used for paying housing demolition and relocation cost in relation to clearing a land held by the Group which is to be sold to the government.

## INTERIM FINANCIAL INFORMATION

## 17 Bank Borrowings

	30 June 2019 RMB'000	31 December 2018 RMB'000
<b>Non-current liabilities</b>		
Long-term bank borrowings		
– Secured (a)	508,790	283,790
– Unsecured with guarantee (b)	87,530	169,597
Less: current portion	(315,320)	(19,330)
	<b>281,000</b>	434,057
<b>Current liabilities</b>		
Short-term bank borrowings		
– Secured (a)	109,000	50,000
– Unsecured with guarantee (b)	2,250,717	1,696,100
– Guaranteed by the companies within the Group	109,500	100,000
Current portion of non-current liabilities	315,320	19,330
	<b>2,784,537</b>	1,865,430
	<b>3,065,537</b>	2,299,487



## INTERIM FINANCIAL INFORMATION

## Notes to the Interim Financial Information (continued)

## 17 Bank Borrowings (continued)

Movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
At 1 January	2,299,487	1,755,027
Additions	2,461,717	1,200,725
Repayments	(1,628,600)	(790,100)
Disposal of subsidiaries	(67,067)	–
At 30 June	3,065,537	2,165,652

- (a) As at 30 June 2019, secured bank borrowings of the Group were secured by completed properties held for sale of RMB515,680,000 (31 December 2018: RMB515,680,000), properties under development of RMB548,660,000 (31 December 2018: nil), right-of-use for land (31 December 2018: land use rights) of RMB62,415,000 (31 December 2018: RMB19,627,000), and property, plant and equipment of RMB28,792,000 (31 December 2018: RMB32,112,000).
- (b) These loans were guaranteed by:

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
The Company	2,229,717	1,757,167
The Company and non-controlling interests (jointly)	58,530	58,530
Mr. Pang Baogen and the Company (jointly)	50,000	50,000
	2,338,247	1,865,697

- (c) The carrying amounts of bank borrowings are mainly denominated in RMB. The weighted average effective interest rate of borrowings at 30 June 2019 was 4.67% per annum (31 December 2018: 4.80% per annum).

## INTERIM FINANCIAL INFORMATION

## 18 Corporate Bonds

	30 June 2019 RMB'000	31 December 2018 RMB'000
As at 1 January	–	–
Additions (a)	299,625	–
Interest expenses	146	–
	<b>299,771</b>	–

- (a) On 28 March 2019, the Group issued super short-term debentures in aggregate of RMB300,000,000, which bear a coupon interest rate of 5.30% per annum and have a term of 270 days. The net proceeds after deduction of the related issuance costs from the above issue of super short-term debentures was RMB299,625,000.

## 19 Other Income

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest income on		
– Financial assets held as investments	31,005	44,375
– Advances to project managers	13,244	10,215
	<b>44,249</b>	54,590

## 20 Other Gains – Net

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Gains on disposal of an associate (Note 9(a))	48,470	–
Fair value gains/(losses) from financial assets at FVPL	497	(1,115)
Gains on disposal of financial assets at FVPL	12,121	6,784
Government grants and compensation	9,418	7,338
(Losses)/gains on disposal of property, plant and equipment	(217)	139
Gains on disposal of subsidiaries (Note 27)	5,667	–
Net foreign exchange gains	2,788	1,275
Others	2,579	(2,085)
	<b>81,323</b>	12,336

## INTERIM FINANCIAL INFORMATION

## Notes to the Interim Financial Information (continued)

## 21 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	
	2019 RMB'000	2018 RMB'000
Cost of construction contracts	6,828,602	5,965,548
Employee benefit expenses	2,331,940	2,407,140
Raw materials and consumables used	1,165,977	793,551
Cost of properties sold	412,095	1,467,918
Depreciation and amortisation charges	95,270	71,733
Changes in inventories of finished goods and work in progress	(20,580)	19,090
Others	190,484	132,825
	<b>11,003,788</b>	10,857,805

## 22 Finance Costs – Net

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Finance costs:		
Interests on bank borrowings, corporate bonds and lease liabilities	85,071	49,100
Less: interest capitalised in properties under development	(48,339)	(35,759)
Less: interest capitalised in constructions in progress	(6,415)	(2,690)
	<b>30,317</b>	10,651
Net foreign exchange losses/(gains)	123	(1,212)
	<b>30,440</b>	9,439
Finance income:		
Interest income from financial assets held for cash management purposes	(6,929)	–
Finance costs – net	<b>23,511</b>	9,439

## INTERIM FINANCIAL INFORMATION

## 23 Income Tax Expense

During the period, the Group is subject to the same types of income taxes as those disclosed in 2018 Financial Statements. Income tax expense is 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 expense charged to the consolidated income statement represents:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	137,140	109,471
– Land appreciation tax	15,705	31,485
	152,845	140,956
Deferred income tax		
– PRC corporate income tax	4,348	49,190
– Land appreciation tax	16,734	17,224
	21,082	66,414
	173,927	207,370

## 24 Earnings Per Share

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

	Six months ended 30 June	
	2019	2018
Profit attributable to the owners of the Company (RMB'000)	331,146	439,202
Weighted average number of ordinary shares in issue during the period (thousands shares)	562,664	581,370
Basic earnings per share (RMB yuan)	0.59	0.76

The Company had no dilutive potential shares in issue during the six months ended 30 June 2019 and 2018, thus the diluted earnings per share equaled the basic earnings per share.

## INTERIM FINANCIAL INFORMATION

## Notes to the Interim Financial Information (continued)

## 25 Dividends

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

## 26 Financial Guarantees

	30 June 2019 RMB'000	31 December 2018 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	869,182	913,832

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

## 27 Disposal of Subsidiaries

During the period, the Group disposed its 66% equity interest in Baohong Group and as a result of which the Group relinquish control over Baohong Group and the remaining interest in Baohong Group has been reclassified as an investment in a joint venture. Details of the disposal are as follows:

	RMB'000
Disposal considerations	
– Cash received	33,000
– Fair value of investments in a joint venture after the disposal	17,000
	50,000
Less: total net assets of subsidiaries disposed of	(44,333)
	5,667
Cash proceeds from disposal, net of cash disposed of	
– Cash consideration received	33,000
– Less: cash and cash equivalents in the subsidiaries disposed of	(28,798)
	4,202

## INTERIM FINANCIAL INFORMATION

**28 Related-Party Transactions**

Apart from those related party transactions disclosed elsewhere in the interim financial information, the Group have the following transactions and balances with related parties:

**(a) Transactions with joint ventures**

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Sales of goods	810	–
Rental income	1,225	–
Purchase of building materials	14,020	9,556
Purchase of technical consulting services	18	709
	<b>16,073</b>	10,265

**(b) Balances with joint ventures**

	30 June 2019 RMB'000	31 December 2018 RMB'000
	Trade receivables	9,261
Trade payables	31,147	50,835

# 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 2018