

BAOYE GROUP COMPANY LIMITED

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

Stock Code : 2355

Interim Report 2020



OUR MISSION

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

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CORPORATE PROFILE

Business Structure BAOYE GROUP COMPANY LIMITED

Construction Business

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

Property Development Business

- Shaoxing “Baoye Four Seasons Garden”
- Shaoxing “Daban Green Garden”
- Shaoxing “Xialv Project”
- Lishui “Huaje Fengqing”
- Shanghai “Baoye Active Hub”
- Wuhan “Xingyu Fu”
- Mengcheng “Binhu Green Garden”
- Mengcheng “Shidai Green Garden”
- Jieshou “Fuxing Jiayuan”
- Taihe “Baoye City Green Garden”
- Taihe “Jiangnan Fu”
- Taihe “Yinhe Green Garden”
- Kaifeng “Baoye Longhu Yucheng”
- Lu’an “Baoye Junyue Green Garden”
- Zhengzhou “Zhengzhou Project”
- Sixian “Sizhou Green Garden”

Building Materials Business

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



Business Network



Construction Business

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



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

Supervisors

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

Independent Supervisors

Mr. Zhang Xindao
Mr. Xiao Jianmu

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mr. Chow Chan Lum

Auditors

International Auditor

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

Statutory Auditor

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

Legal Advisers

As to Hong Kong law

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9 Queen's Road Central,
Central, Hong Kong

As to PRC law

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China World Trade Centre
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H Share Registrar

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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

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Post Code: 312030

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Authorised Representatives

Mr. Pang Baogen
Mr. Gao Jiming

Stock Code

HKEx (2355)

Contact

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FINANCIAL HIGHLIGHTS

	For the six months ended/As at 30 June				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Results					
Revenue	11,201,994	11,450,605	11,483,063	9,383,941	10,845,641
Profit Attributable to the Owners of the Company	298,105	331,146	439,202	323,716	261,025
Earnings per Share (RMB yuan)	0.53	0.59	0.76	0.55	0.43
Assets and Liabilities					
Total Assets	37,802,012	32,200,784	27,511,556	23,138,588	21,029,884
Total Liabilities	27,903,164	23,282,738	19,414,756	15,934,344	14,295,060
Total Equity	9,898,848	8,918,046	8,096,800	7,204,244	6,734,824

Key Financial Ratios

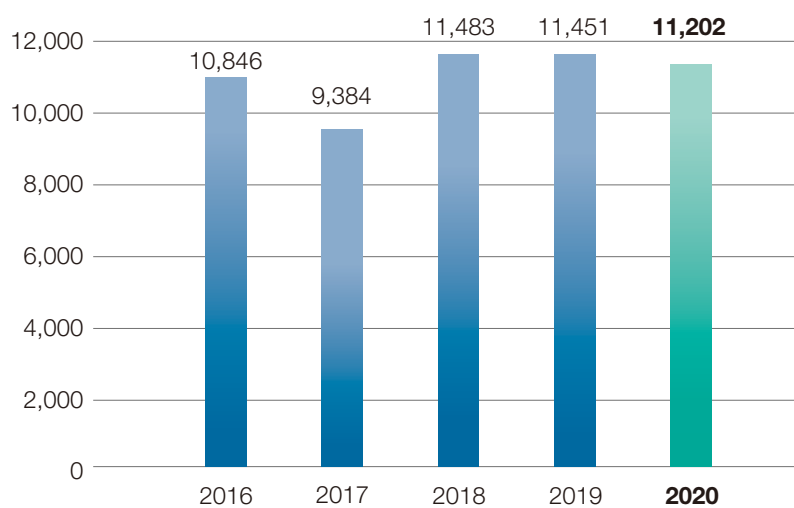
	As at/For the six months ended 30 June	
	2020	2019
Return on Equity	3.14%	3.82%
Net Assets Value per Share (RMB yuan)	16.86	15.41
Net Cash Ratio	11%	27%
Current Ratio	1.24	1.19
Net Cash (Outflow)/Inflow from Operating Activities (RMB'000)	(659,724)	239,948

Financial Highlights

Revenue

(in RMB million)

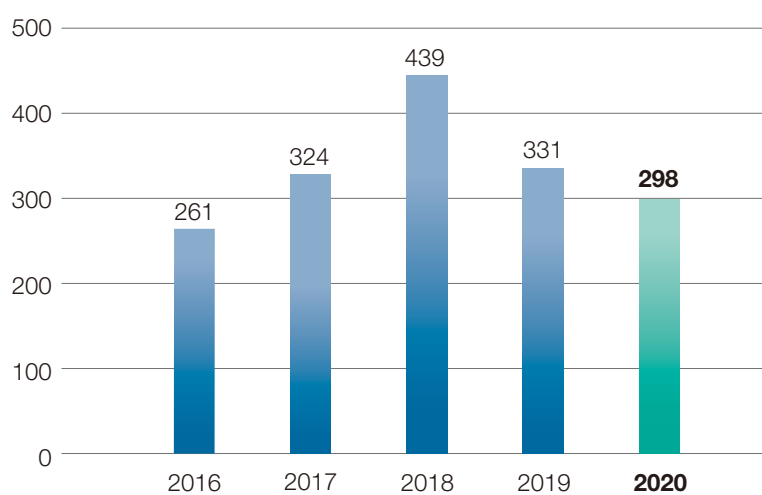
(For the six months ended 30 June)



Profit Attributable to the Owners of the Company

(in RMB million)

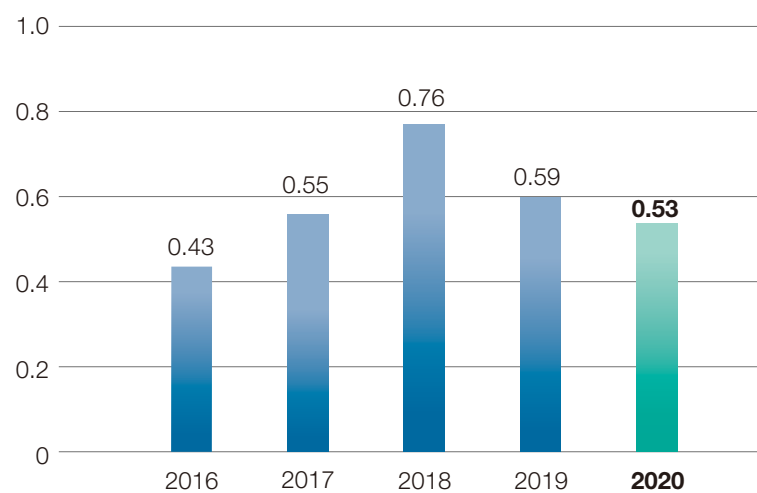
(For the six months ended 30 June)



Earnings per Share

(in RMB)

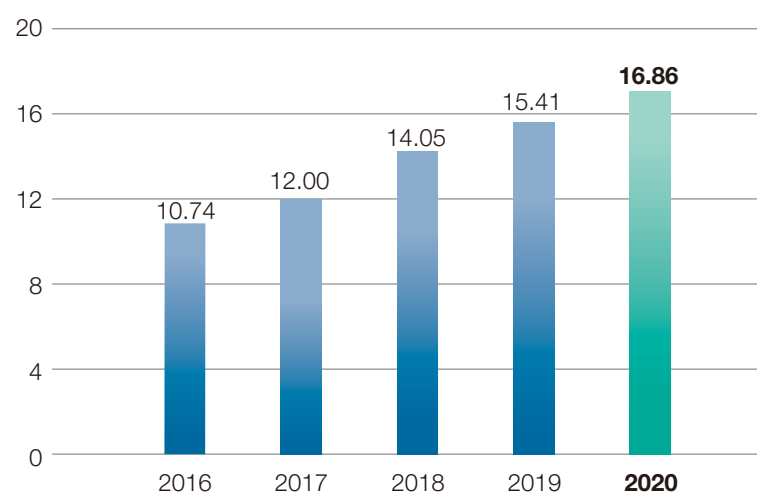
(For the six months ended 30 June)



Net Assets Value per Share

(in RMB)

(As at 30 June)



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the six months ended 30 June 2020, the Group achieved a consolidated revenue of approximately RMB11,201,994,000, which represents a decrease of approximately 2% compared with the corresponding period last year; operating profit amounted to approximately RMB606,619,000, which represents an increase of approximately 11% as compared with the corresponding period last year; profit attributable to the owners of the Company amounted to approximately RMB298,105,000, which represents a decrease of approximately 10% compared to the same period last year; earnings per share was RMB0.53, which represents a decrease of approximately 10% compared to the same period last year. During the period, though the Group's business operations were affected by the epidemic and the resumption of business operations was hence extended as compared to previous years. Through the collective efforts and orderly arrangement by the Group, projects progress has been geared up, and the overall operations have remained stable.

Segment Operating Results Revenue

	For the six months ended 30 June				Change
	2020		2019		
	RMB'000	% of total	RMB'000	% of total	
Construction	9,065,504	81%	9,088,147	79%	0%
Property Development	925,647	8%	723,994	6%	28%
Building Materials	1,065,676	10%	1,481,842	13%	-28%
Others	145,167	1%	156,622	2%	-7%
Total	11,201,994	100%	11,450,605	100%	-2%

Operating Profit

	For the six months ended 30 June				Change
	2020		2019		
	RMB'000	% of total	RMB'000	% of total	
Construction	249,638	41%	226,981	42%	10%
Property Development	335,543	55%	259,329	47%	29%
Building Materials	18,519	3%	39,046	7%	-53%
Others	2,919	1%	20,846	4%	-86%
Total	606,619	100%	546,202	100%	11%

Management Discussion and Analysis



Construction Business

For the six months ended 30 June 2020, the Group's construction business achieved a revenue of approximately RMB9,065,504,000, which remained at the same level as compared to the corresponding period last year; operating profit was approximately RMB249,638,000, representing an increase of approximately 10% over the same period last year. Despite the negative impact of the epidemic, the Group's construction business revenue remained relatively stable mainly due to the continuous stability of incoming orders that were contracted for in the previous years. After the resumption of production, the Group had geared up the progress of the projects to reduce the negative impact that was brought by the epidemic to our operations. In recent years, the Group has strengthened the risk management of new business in the construction sector, the management of accounts receivable and intake of quality projects, hence operating profits of new projects have increased significantly over the same period last year.

In the spring of 2020, Chinese Nationals who had been busy for a year were supposed to go home, reunited with their families and celebrate the Spring Festival of the Year of Rat. However, a new virus which was completely unknown to human beings disrupted everyone's life. Many cities were closed down in preparation for isolation, which caused the economy to slow down. A battle against the COVID-19 has begun. In order to fight against the epidemic, the Group strictly adhered to the unified deployment of the CPC Committees and government policies at all levels, and immediately established a prevention and control task force team headed by the chairman of the Company Mr. Pang Baogen. While we had our internal situation under control, the Group also rolled out its support to the epidemic prevention in many places in many ways. We worked hard for 11 days to complete the construction of the temporary resettlement site in Keqiao District and rushed three times to build the Wuhan medical treatment stations and over 1,600 beds for epidemic treatment. At such critical time while anti-epidemic materials and supplies were in shortage, we did everything to secure supplies to support epidemic prevention from various sources. We undertook substantive actions to fulfill and discharge our social responsibilities, as a good corporate citizen, towards the community at large.

Management Discussion and Analysis

The negative impact brought by the epidemic against the economy is severe. With respect to the construction industry, the epidemic has not only delayed the resumption of construction works, but also generated efficiency and costs burden resulting from the established government prevention and control measures; all of which have attributed to the economic lockdown thus increasing the risks of business interruptions on one hand. On the contrary, we must also realize that the economic recovery after the epidemic will bring new growth opportunities to the construction industry. The Group has always perceived that only by preserving our strength which will enable us to seize the upstream opportunity when time comes. During the period, the contract value of the new construction projects approximating to RMB9.8 billion (corresponding period of 2019: RMB13.3 billion), representing a decline of approximately 26% compared to the same period last year. The Group, as a pilot company adopting general contractor mode, undertook a number of EPC projects such as SMIC Shaoxing Garden Project (Phase I), Binhai New Town Culture and Art Center Phase I, Xuancheng Science and Technology Park Entrepreneurship Promotion Center. In terms of traditional construction business, the Group undertook a number of landmark projects such as the People's Hospital of Yuecheng District, Shaoxing City, Antu IVD Industrial Park (Phase III), Shangyu High-speed Rail New City J-12 Project Phase II, Hangzhou Wangchuang Technology Building, Chuzhou City Modern Comprehensive Industrial Park, Djibouti National Park.

Property Development Business

Property Sales

For the six months ended 30 June 2020, the revenue of the Group's property development business amounted to approximately RMB925,647,000, which represents an increase of approximately 28% from the corresponding period last year. Operating profit amounted to approximately RMB335,543,000, which represents an increase of approximately 29% compared to the corresponding period last year. As the number of sold property units that was recognised as income during the period increased substantially over than that of the corresponding period of last year, therefore both the revenue and operating profit of the property development business increased significantly compared with that of the corresponding period last year.



Management Discussion and Analysis

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

Project	Location	Average Selling Price (RMB/Sqm)	GFA Sold (Sqms)	Revenue (RMB'000)
Baoye Ido	Shanghai	38,212	10,457	399,594
Baoye City Green Garden	Taihe	6,644	28,792	191,297
Baoye Xinqiao Fengqing	Shaoxing	14,197	10,920	155,042
Baoye Four Seasons Green Garden	Shaoxing	27,422	1,975	54,153

For the six months ended 30 June 2020, the Group's property development business achieved a contract sales value of approximately RMB2.78 billion with a total contract sales area of approximately 221,000 square metres.

Projects under Development

As at 30 June 2020, projects under development of the Group are tabulated below:

Project Name	Location	Total GFA Under Development (Sqms)	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	300,000	100%
Daban Green Garden	Shaoxing	145,700	100%
Xialv Project · Yunxili	Shaoxing	Under Planning	60%
Huajie Fengqing	Lishui	260,363	100%
Baoye Active Hub	Shanghai	94,722	100%
Xingyu Fu	Wuhan	259,056	100%
Binhu Green Garden	Mengcheng	201,572	100%
Shidai Green Garden	Mengcheng	Under planning	60%
Fuxing Jiayuan	Jieshou	467,293	100%
Baoye City Green Garden	Taihe	95,770	55%
Yinhe Green Garden	Taihe	209,185	51%
Jiangnan Fu	Taihe	50,247	100%
Baoye Longhu Yucheng	Kaifeng	300,598	60%
Baoye Junyue Green Garden	Lu'an	129,665	100%
Zhengzhou Project	Zhengzhou	Under planning	51%
Sizhou Green Garden	Sixian	217,323	51%

Management Discussion and Analysis

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

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

Xialv Project consists of three separate parcels of land with a total cost of RMB511,036,354 and a total land site area of 262,862 square meters, pursuant to which the Group is interested in 60%. The Group acquired the land use rights through public auction in 2017. As of now, one of the three parcels of land, Baoye Yunlix, is under planning.

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

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

Xingyu Fu project, located in Xinzhou District, Wuhan City, Hubei Province, has a total land area of 129,528 square meters and planned building area of approximately 259,056 square metres. The Group acquired this parcel of land use right in December 2017 at a consideration of RMB780 million. Presale has begun at the end of 2019.

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

Mengcheng Shidai Green Garden is located in Mengcheng County, Anhui Province. A subsidiary company of the Group procured this site in April 2020, having a total of 58,796.75 square metres, through public auction at a total consideration of RMB190 million. The project is currently under the planning stage.

Management Discussion and Analysis

Baoye Fuxing Jiayuan, located in Jieshou City, Fuyang City, Anhui Province, has a total site area of 172,656 square meters and a total gross floor area of 467,293 square meters. The Group acquired this parcel of land use right in June 2018 by public auction at a total consideration of RMB370,348,000. The project has commenced its construction works and is expected to be delivered in 2020. The project will be repurchased by the local government upon completion.

Baoye Taihe City Green Garden is located in Taihe County, Anhui Province with a total gross floor area of 420,000 square metres, comprising of unique and niche residential units, elegance shopping arcade, an international bilingual kindergarten and high-end swimming pool facilities. Personalized and scientific design in dividing motor vehicle flow and pedestrian flow enable residents to enjoy quality and comfortable living. The project is closed to an ecofriendly park with rich community facilities, which sets the new generation in the City. The project will be developed in four phases, and all four phases have been delivered to owners. In January 2019, The Company further acquired approximately 9,662 square meters of land use rights adjacent to the west side of the project at a total consideration of RMB25.94 million for the development of the fifth phase with plot ratio not more than 2.2 times. The fifth phase is expected to be delivered in 2021.

Yinghe Green Garden is located in Taihe County, Anhui Province. The total area of the project is approximately 63,544.70 square meters, the total building area is approximately 209,185.24 square meters, and the total number of houses is approximately 1,406, of which approximately 1,000 are resettlement houses. The project will be constructed using prefabricated concrete. The project is currently under planning.

Jiangnan Fu is located in Taihe County, Anhui Province. In June 2020, a subsidiary of the Group acquired the land use right of the project through public auction. The project covers an area of approximately 29,577.3 square meters with a plot ratio of 1.7 times. At present, the project is still under the stage of soliciting land title and certificate.

Baoye Longhu Yucheng is located in a prime area of Eastern New City, Kaifeng County, Henan Province. It has a total site area of approximately 648,000 square metres and an estimated gross floor area of approximately 972,000 square metres. After completion, it will become the city's new business centre and leisure centre. The project will be developed in 5 phases. Nearly 100,000 square meters of Phase I was delivered to the owner, and the remaining 70,000 square meters are under construction and will be delivered by the end of 2020. Phase II of about 140,000 square meters is in the presale stage. Phase III is currently under construction.

Baoye Junyue Green Garden is located in Lu'an city, Anhui Province. The Group bided the project through judicial auction in September 2017, having a total of approximately 54,220 gross square meters and built up areas of approximately 129,665 square metres, in which approximately 7,220 square metres are under development. The project is surrounded by well-developed facilities, convenient transportation with green parks, banks and shopping malls. The project will be developed in two phases. In February 2019, the project acquired a further land use right on the west end side of this project with a total land area of approximately 11,947 square meters, which is currently under presale.

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

Sizhou Green Garden, located in the Economic Development Zone of Sixian County, Suzhou City, Anhui Province. In May 2019, the Group acquired the land parcel A and B of the project at a total consideration of RMB113.5 million through public auction, having a total area of approximately 46,888 square meters and gross floor area of approximately 124,907 square meters. In April 2020, the land parcel C of the project was acquired at a total consideration of RMB107,120,000 through public auction, having a total area of approximately 42,007.45 square meters. The Group holds a 51% equity stake in this project. This project is surrounded by well-developed facilities, convenient transportation and matching education resources. The project has been under presale at the beginning of 2020 and is expected to be delivered in 2021.

Management Discussion and Analysis

New Land Reserve

Time table	Location	Cost (RMB'000)	Land area (Sqms)	Equity
April, 2020	Sixian County, Suzhou City, Anhui Province	107,120	42,007.45	51%
April, 2020	Mengcheng County, Bozhou City, Anhui Province	190,000	58,796.75	60%
June, 2020	Taihe County, Fuyang City, Anhui Province	110,925	29,577.30	100%

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

Building Materials Business

For the six months ended 30 June 2020, the revenue of the Group's building materials business was approximately RMB1,065,676,000, which represents a significant decrease of approximately 28% over the same period last year; operating profit was approximately RMB18,519,000, which represents a significant decrease of approximately 53% over the same period last year. The downturn in both the revenue and operating profit during the period under review were mainly attributable to the negative impact brought by the outbreak of epidemic, which reduced the trading period by three months during the first half of 2020, leading to significant reduction of incoming purchase orders.

The revenue breakdown of the Group's building materials for the six months ended 30 June 2020 is analysed below:

	For the six months ended 30 June				Change
	2020		2019		
	RMB'000	% the total	RMB'000	% the total	
Curtain Wall	484,704	45%	588,030	40%	-18%
Furnishings and Interior Decorations	80,146	7%	143,095	10%	-44%
Ready-mixed Concrete	348,436	33%	500,017	34%	-30%
PC Assembly Plate	60,204	6%	134,948	9%	-55%
Wooden Products and Fireproof Materials	39,938	4%	51,019	3%	-22%
Steel Structure	20,738	2%	27,865	2%	-26%
Others	31,510	3%	36,868	2%	-15%
Total	1,065,676	100%	1,481,842	100%	-28%

Management Discussion and Analysis

Business Prospect

Half of the year 2020 has passed while the COVID-19 is still raging around the world. At the beginning of the outbreak, facing a disease that is completely unknown to human beings, the Chinese government organized large-scale mobilizations such as lockdown of cities, restrictions on the movement of people, and economic shutdown to control the spread out of the disease before the global epidemic, which not only demonstrated the ability of organizing and mobilizing by the Chinese government, but it also helps to buy time and provide opportunities to fight against the outbreak of the epidemic. It is a great contribution made by China in favor of the world.

It goes without saying that the global lockdown and quarantine caused by the COVID-19 and the continued tension in Sino-US relations have brought serious damages to the global economy. However, after the gradual normalization of the prevention of epidemic, focusing on the economic recovery while controlling the epidemic becomes the new normal in the “post-epidemic era” of all countries, especially China. The second quarter economic data showed that China’s GDP growth rate has turned positive, which means China is the world’s first major economy to recover from the economic lockdown and demonstrates the strong resilience of the Chinese economy. Looking forward to the future, we expect the influence of the pandemic to the operation of the Company is limited. The Group will keep monitoring the development of COVID-19 and assessing the impact of the pandemic on the Group’s financial position and operating results.

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

The construction industry is a pillar industry of the national economy. Relying on China’s large-scale infrastructure construction and fixed asset investment in the past few decades, the number and the scale of Chinese construction companies are quite amazing. However, when China’s economy enters a new normal trend, especially after the baptism of the epidemic, the condition of large but not strong, the chronic illness of traditional construction companies, becomes more obvious, and the upgrading and transformation of the construction industry itself is an inevitable trend. After decades of market development and experience accumulation, the Group’s construction business has not only established a good reputation and brand image in the field of traditional building construction as well as its market competitive edges, the Group is at the forefront of the industry in exploring the modernization of the construction industry. In the future, the Group will continue to uphold a prudent operating style, improve the quality of orders, build the Group’s brand with quality, strictly manage engineering standards, and implement a safety responsibility system. At the same time, the Group will take the advantages of the entire industry chain that we own and operate, enhance the synergy of the whole industry chain and integration capabilities of the enterprises, fully mobilize market elements, optimize business structure, transform traditional construction business with industrialized management practice, and improve the level of refined information management and full life cycle management.

Management Discussion and Analysis

Property development business brings substantial profits to the Group

Real estate industry seems always to be a hot topic in China. Affected by the epidemic this year, the overall pace of real estate sales has been postponed. Due to the relatively loose credit policy and the combination of various online and offline sales innovation initiatives adopted by real estate companies, the real estate industry in some cities has returned to its “hot” period as before. With the “hotness” of the property market, central and local control policies have also followed suit. An excerpt of the discussion on the real estate industry at the Politburo meeting held on 30 July, 2020 was as follows: We must adhere to the positioning that houses are used for living, not for speculation, and promote the steady and healthy development of the real estate market. After more than two decades of development, it is time for us to calm down and analyze rationally that what is the future development trend of China’s real estate industry. We understand that the real estate industry is a comprehensive industry that develops, manages, and serves real estate based on a variety of economic activities such as land and buildings. In the past two decades, China’s real estate industry has expanded by increasing urbanization ratio which increases the supply of new supply of land areas in exchange for land transfer fees and development income. Judging from the experience of the world’s major developed countries, even if their urbanization rate reaches 80% or even 90%, the real estate industry will always dominate a prominent seat in the overall economy. Moreover, we should not ignore the fact that real estate has investment nature. Both the economics and statistics classification regard the purchase of a property as an investment. Housing is classified as a category of fixed assets, and not included in the consumer price index (CPI). Based on the above-mentioned understanding of the real estate industry, we believe that real estate regulation is not meant to “strangle” the real estate industry, but to change the mode and way of development and promote the transformation of the real estate industry from scale development to value management. The real estate development business of the Group will always implement the above-mentioned concept, insist on creating high-dimensional products in the market place, and provide the market with comfortable, healthy, and smart housing.

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

Housing industrialization, especially prefabricated buildings, has been supported by central and local policies in recent years and driven by the endogenous demand for transformation and upgrading of the industry itself. With large number of enterprises and capital have entered this industry, although there are some formalism like “to assembly for assembly’s sake”, the industry still shows a good development trend. At the same time, we have also seen that bottlenecks restricting the development of the industry still exist. The industrialization of construction is a new industrial form involving multiple links and multiple industries including design, production, construction, installation, decoration and subsequent operations. It is not only necessary for industry managers to break the constraints of the original single construction industry management system, but also for the different enterprises of different sizes from upstream and downstream industries to cooperate and collaborate with an open mind in standard setting, technology research, development and application. Only in this way we can realize the transformation of the construction industry’s production mode in a much faster way.

As a veteran who has been deeply involved in the field of construction industrialization for more than 20 years, the Group is willing to cooperate with the upstream and downstream industries, including governments, design institutes, developers, constructors, building materials suppliers and share our experience and achieve integrated development on the basis of our existing prefabricated construction technology and layout. We are happy to see that through our efforts and the application of new technologies, we can attract and convert migrant workers into industrial workers in China, so that the traditional labor-intensive construction industry can achieve industrial upgrades, realizes the transition from construction to manufacturing.

Management Discussion and Analysis

Financial Review

Financial Policies

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

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

Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People's Bank of China. Such excellent credit rating will benefit the Group's financing activities and allow the Group to continue to enjoy the prime rate offered by the banks. During the period under review, the Group maintained part of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 43.6% (corresponding period of 2019: 18.4%) of the total borrowings. In addition, approximately 55.4% of the total borrowings (corresponding period of 2019: 66.3%) were guaranteed by the Company; approximately 1.0% of the total borrowings (corresponding period of 2019: 1.7%) were jointly guaranteed by the Company and non-controlling interests to the lending banks. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

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

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resource to expand its business. As at 30 June 2020, the untapped banking facilities of the Group amount to approximately RMB7.0 billion. Details of which are analyzed below:

	As at 30 June	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	5,628,270	4,770,439
Term deposits with initial term of over three months	109,338	198,603
Restricted bank deposits	697,581	716,517
Less: total borrowings	(5,357,223)	(3,365,308)
Net cash	1,077,966	2,320,251
Total equity attributable to the owners of the Company	9,488,149	8,667,952
Net cash ratio	11%	27%

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

Management Discussion and Analysis

Other Key Financial Ratios

	For the six months ended/ As at 30 June	
	2020	2019
Return on equity	3.14%	3.82%
Net assets value per share (RMB yuan)	16.86	15.41
Current ratio	1.24	1.19

Return on equity	=	profit attributable to the owners of the Company/total equity attributable to the owners of the Company
Net assets value per share	=	total equity attributable to the owners of the Company/number of issued shares at the end of the period
Current ratio	=	current assets/current liabilities

During the period, the profit attributable to owners of the Company was approximately RMB298,105,000, representing a decrease of approximately 10.0% from the same period last year. In the meantime, the total shareholder's equity increased by approximately 9.5%, resulting in a decrease of approximately 17.8% in the return on equity of the Group compared with the same period last year while the net assets per shares still increased by about 9.4% over the same period last year. As at 30 June 2020, the Group was still in a net cash position, with a net cash ratio of 11.0% which decreased by approximately 59.3% from the same period last year mainly due to the significant increase in the Group's bank borrowings from the same period last year.

Cash Flow Analysis

	Note	For the six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Net cash (outflow)/inflow from operating activities	(i)	(659,724)	239,948
Net cash inflow/(outflow) from investing activities	(ii)	123,969	(351,653)
Net cash inflow from financing activities	(iii)	659,057	1,183,892
Net increase in cash and cash equivalents		123,302	1,072,187

Management Discussion and Analysis

Notes:

- (i) During the period under review, the net cash outflow from operating activities was approximately RMB659,724,000, representing an increase of approximately RMB899,672,000 compared to the same period last year, which was mainly due to the substantial increase in properties under development of the Group during the period.
- (ii) During the period, the net cash inflow from investing activities was approximately RMB123,969,000, representing an increase of approximately RMB475,622,000 compared to the same period of last year, which was mainly due to the decrease in term deposits with initial term of over three months compared with the same period last year.
- (iii) During the period, the net cash inflow from financing activities was approximately RMB659,057,000, representing a decrease of approximately RMB524,835,000 over the same period last year, which mainly due to the decrease of the proceeds from bank borrowings compared with the same period last year.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB315,755,000 for the six months ended 30 June 2020 as compared to approximately RMB349,992,000 for the same period last year, representing an decrease of 10%. The decline in administrative expenses was mainly due to the reduction in overtime work of employees and the state's social security reduction and exemption policies that have reduced wages and social security expenditures caused by the COVID-19.

Finance Costs – Net

For the six months ended 30 June 2020, the Group had registered net finance costs of approximately RMB54,822,000 (corresponding period of 2019: RMB23,511,000), representing an increase of approximately RMB31,311,000 as compared to the same period last year, mainly due to the increase in borrowings to meet the Group's funding needs for real estate development and building materials business.

Income Tax Expenses

For the six months ended 30 June 2020, income tax expenses comprised of PRC corporate income tax of RMB149,543,000 (same period of 2019: RMB141,488,000) and PRC land appreciation tax of RMB44,815,000 (same period of 2019: RMB32,439,000), representing a total increase of approximately RMB20,431,000 as compared to the same period last year, which was mainly due to higher land appreciation tax resulting from the sale of the real estate projects which carry higher profit margins.

Financial Guarantee

	30 June 2020 RMB'000	31 December 2019 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	1,041,997	410,222

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.

Management Discussion and Analysis

Details of the Charges on the Group's Assets

As at 30 June 2020, right-of-use for land, property, plant and equipment, investment properties, restricted bank deposits and properties under development with an aggregate carrying value of approximately RMB4,743,915,000 (as at 31 December 2019: RMB3,752,327,000) were pledged to banks as security in securing bank borrowings.

Capital Expenditure Plan

The Group adopts a prudent approach in capital expenditure spending to 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 and other borrowings are denominated and accounted in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect that the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group.

Dividends

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2020 (corresponding period of 2019: 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 of 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 of the Company. The Group has appointed three general managers to oversee and manage the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of the Group's policies efficiently. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board.

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

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 report, 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 2020 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 Certified Public Accountants ("LLP") as the Company's PRC statutory auditor were approved at the annual general meeting held on 16 June 2020.

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 2020. 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	Number of H Shares of the Company Held (Long Position)	Approximate Percentage of the Total Issued H Shares of the Company	Approximate Percentage of the Total Registered Share Capital of the Company
Wu Xueqin	29,304,000	13.83%	5.21%
Zhu Yicai (<i>note 1</i>)	29,304,000	13.83%	5.21%

Notes:

1. Mr. Zhu Yicai, the spouse of Ms. Wu Xueqin, is deemed to be interested 29,304,000 H shares.
2. Information disclosed here is based on the information available on the website of Hong Kong Stock Exchange at www.hkex.com.hk.
3. As at 30 June 2020, 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
Directors					
Mr. Pang Baogen	The Company	Individual	193,753,054	–	34.43%
Mr. Gao Jiming	The Company	Individual	12,059,254	–	2.14%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.70%
Mr. Gao Jun	The Company	Individual	5,794,259	–	1.03%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.43%
Supervisors					
Wang Jianguo	The Company	Individual	5,250,290	–	0.93%
Wang Jianguo	Zhejiang Baoye Curtain Wall Decoration	Individual	42,700,001	–	16.94%
Xugang	The Company	Individual	17,479,573	–	3.11%
Senior Management					
Mr. Lou Zhonghua	The Company	Individual	4,533,172	–	0.81%
Mr. Wang Rongbiao	The Company	Individual	2,638,026	–	0.47%

Directors' and Supervisors' 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 2020, the Group had a total of approximately 5,856 permanent employees (as at 30 June 2019: 5,726). Also, there were approximately 73,401 indirectly employed construction site workers (as at 30 June 2019: 71,765). These workers were not directly employed by the Group. For the six months ended 30 June 2020, the total employee benefit expenses amounted to approximately RMB2,349,566,000 (the same period in 2019: RMB2,331,940,000). Employee benefit expenses include salaries, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Group is continuously working on devising, revising and implementing a more effective employee incentive plan and training plan to encourage superior performance of employees to fit into the Group's long term development plan.

Connected Transactions

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

Contingent Liabilities

As at 30 June 2020, neither the Company nor the Group had any significant contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries, Joint Ventures and Associates

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

Purchase, Sale or Redemption of Shares of the Company

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

24 August 2020

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 57, 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 2020 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, 24 August 2020

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INTERIM FINANCIAL INFORMATION

Interim Condensed Consolidated Balance Sheet

	<i>Note</i>	Unaudited 30 June 2020 RMB'000	<i>Audited 31 December 2019 RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,713,771	2,628,086
Right-of-use assets	9	694,430	675,895
Investment properties	9	766,435	766,435
Goodwill		16,534	16,534
Investments accounted for using the equity method	7	673,927	502,189
Trade and other receivables	8	854,284	826,115
Financial assets at fair value through other comprehensive income	5.3	228,197	228,197
Financial assets at fair value through profit or loss	5.3	8,054	8,486
Deferred income tax assets		258,722	273,097
		6,214,354	5,925,034
Current assets			
Inventories		298,585	193,689
Properties under development		9,392,647	5,075,556
Completed properties held for sale		2,867,824	3,265,564
Contract assets and contract acquisition costs	10	4,856,650	3,814,297
Trade and other receivables	8	7,236,763	9,458,226
Financial assets at fair value through profit or loss	5.3	500,000	558,000
Restricted bank deposits		697,581	719,015
Term deposits with initial term of over three months		109,338	303,390
Cash and cash equivalents		5,628,270	5,504,968
		31,587,658	28,892,705
Total assets		37,802,012	34,817,739
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	11	1,044,097	1,044,097
Other reserves	12	209,296	209,296
Retained earnings		8,234,756	7,936,651
		9,488,149	9,190,044
Non-controlling interests		410,699	393,861
Total equity		9,898,848	9,583,905

Interim Financial Information

Interim Condensed Consolidated Balance Sheet (continued)

	<i>Note</i>	Unaudited 30 June 2020 RMB'000	<i>Audited 31 December 2019 RMB'000</i>
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	14	2,328,367	1,961,000
Lease liabilities		1,855	1,947
Deferred income tax liabilities		136,157	179,934
		2,466,379	2,142,881
Current liabilities			
Contract liabilities		7,710,680	6,940,932
Trade and other payables	13	14,203,324	12,781,795
Lease liabilities		4,037	7,803
Bank and other borrowings	14	3,028,856	2,838,689
Current income tax liabilities		489,888	521,734
		25,436,785	23,090,953
Total liabilities		27,903,164	25,233,834
Total equity and liabilities		37,802,012	34,817,739

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

Approved by the Board of Directors on 24 August 2020 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	
		2020	2019
		RMB'000	RMB'000
Revenue	6	11,201,994	11,450,605
Cost of sales	17	(10,314,765)	(10,604,568)
Gross profit		887,229	846,037
Other income	15	49,152	44,249
Other gains – net	16	25,850	81,323
Selling and marketing costs	17	(42,567)	(49,228)
Administrative expenses	17	(315,755)	(349,992)
Net reversal of impairment losses/(impairment losses) on financial assets and contract assets		2,710	(26,187)
Operating profit		606,619	546,202
Finance income	18	8,820	6,929
Finance costs	18	(63,642)	(30,440)
Finance costs – net	18	(54,822)	(23,511)
Share of results of investments accounted for using the equity method	7	(14,032)	(13,195)
Profit before income tax		537,765	509,496
Income tax expenses	19	(194,358)	(173,927)
Profit for the period		343,407	335,569
Profit attributable to:			
– Owners of the Company		298,105	331,146
– Non-controlling interests		45,302	4,423
		343,407	335,569
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB yuan per share)	20	0.53	0.59

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	
	2020	2019
	RMB'000	RMB'000
Profit for the period	343,407	335,569
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	343,407	335,569
Total comprehensive income attributable to:		
– Owners of the Company	298,105	331,146
– Non-controlling interests	45,302	4,423
	343,407	335,569

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

Interim Financial Information

Interim Condensed Consolidated Statement of Changes in Equity (continued)

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

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	
	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(233,393)	613,279
Interest paid	(128,753)	(85,071)
Income tax paid	(297,578)	(288,260)
Net cash (used in)/generated from operating activities	(659,724)	239,948
Cash flows from investing activities		
Payments for investments in joint ventures	(1,200)	(700)
Loans to joint ventures	(39,000)	(685,792)
Repayments of loans by joint ventures	1,374	–
Payments for investments in associates	(16,000)	–
Repayments of loans by associates	–	401,128
Purchases of financial assets at fair value through profit or loss	(414,100)	(295,000)
Disposal of financial assets at fair value through profit or loss	484,078	289,941
Disposal of an associate	–	318,784
Disposal of subsidiaries, net of cash disposed of	77,000	4,202
Advances from government for housing demolition and relocation	1,462	40,000
Purchases of property, plant and equipment	(175,131)	(317,319)
Disposal of property, plant and equipment	3,280	65
Purchases of right-of-use for land	(31,058)	(34,183)
Decrease/(increase) of term deposits with initial term of over three months	194,052	(112,899)
Interest received	39,212	40,120
Net cash generated from/(used in) investing activities	123,969	(351,653)
Cash flows from financing activities		
Proceeds from borrowings	2,718,977	2,461,717
Repayments of borrowings	(2,161,443)	(1,628,600)
Issue of corporate bonds	–	299,625
Principal elements of lease payments	(4,055)	(4,023)
Capital contributions by non-controlling interests	15,397	14,937
Advances from non-controlling interests	134,042	40,236
Dividends paid to non-controlling interests	(43,861)	–
Net cash generated from financing activities	659,057	1,183,892
Net increase in cash and cash equivalents	123,302	1,072,187
Cash and cash equivalents at beginning of the period	5,504,968	3,698,252
Cash and cash equivalents at end of the period	5,628,270	4,770,439

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 2020 (“Interim Financial Information”) is presented in Renminbi (“RMB”). The Interim Financial Information has not been audited.

The outbreak of the 2019 Novel Coronavirus (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the Group, mainly including the delay to the construction and delivery of property units and affecting the selling activities etc. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group. As at the date that the interim financial information is authorised for issue, the impact of COVID-19 to the financial position and operating results is temporary and not material.

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 2019 (“2019 Financial Statements”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and disclosure requirements of the Stock Exchange of Hong Kong Limited, and any public announcements made by the Company during the interim reporting period.

3 Significant accounting policies

The accounting policies applied are consistent with those of 2019 Financial Statements, except for the adoption of new and amendments to HKFRSs effective for the financial year beginning 1 January 2020.

(a) New and amended standards adopted by the Group

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

Interim Financial Information

Notes to the Interim Financial Information (continued)

3 Significant accounting policies (continued)

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

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	COVID-19 – related rent concessions	1 June 2020
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
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 these is expected to have a significant impact on the Group's accounting policies.

4 Estimates

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 Financial Statements.

5 Financial risk management

5.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2019 Financial Statements.

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

Interim Financial Information

Notes to the Interim Financial Information (continued)

5 Financial risk management (continued)

5.2 Liquidity risk

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

	As at 30 June 2020				Total RMB'000
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	
Principal of bank and other borrowings	3,028,856	209,000	1,290,950	828,417	5,357,223
Interest of bank and other borrowings	199,985	122,199	164,159	60,046	546,389
Trade payables	7,596,238	-	-	-	7,596,238
Other payables (excluding other taxes payables, advances and salaries payables)	5,732,963	-	-	-	5,732,963
Lease liabilities	4,667	1,891	-	-	6,558
Financial guarantees	1,041,997	-	-	-	1,041,997
	17,604,706	333,090	1,455,109	888,463	20,281,368

	As at 31 December 2019				Total RMB'000
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	
Principal of bank and other borrowings	2,838,689	231,000	1,491,000	239,000	4,799,689
Interest of bank and other borrowings	134,449	74,173	139,752	55,835	404,209
Trade payables	7,463,614	-	-	-	7,463,614
Other payables (excluding other taxes payables, advances and salaries payables)	4,481,785	-	-	-	4,481,785
Lease liabilities	7,985	1,995	-	-	9,980
Financial guarantees	410,222	-	-	-	410,222
	15,336,744	307,168	1,630,752	294,835	17,569,499

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

Interim Financial Information

Notes to the Interim Financial Information (continued)

5 Financial risk management (continued)

5.3 Fair value estimation

The following tables present the Group's financial assets that are measured at fair value at 30 June 2020 and 31 December 2019.

	As at 30 June 2020			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	–	–	500,000	500,000
– Listed equity securities	8,054	–	–	8,054
Financial assets at fair value through other comprehensive income ("Financial assets at FVOCI")				
– Unlisted equity securities	–	–	228,197	228,197
	8,054	–	728,197	736,251
	As at 31 December 2019			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at FVPL				
– Bank financial products	–	–	558,000	558,000
– Listed equity securities	8,486	–	–	8,486
Financial assets at FVOCI				
– Unlisted equity securities	–	–	228,197	228,197
	8,486	–	786,197	794,683

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

There were no changes in valuation techniques during the period.

Interim Financial Information

Notes to the Interim Financial Information (continued)

5 Financial risk management (continued)

5.3 Fair value estimation (continued)

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
At 1 January	786,197	750,621
Additions	414,100	295,000
Disposals	(472,100)	(277,820)
At 30 June	728,197	767,801
Gains recognised in 'Other gains – net'	11,978	12,121

5.4 Group's valuation processes

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

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

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

6 Segment information

The executive directors (chief operating decision-maker) assess the performance of the operating segments based on a measurement of operating profit. Information of segment assets and liabilities are not included in the reports reviewed by the executive directors. Other information provided to the executive directors is measured in a manner consistent with that in the consolidated financial statements. There has been no change in the basis of the segmentation or in the basis of the measurement of the segment profit or loss for the six months ended 30 June 2020 compared to 2019.

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 assets, property, plant and equipment and investment properties (Note 9).

Interim Financial Information

Notes to the Interim Financial Information (continued)

6 Segment information (continued)

The segment information provided to executive directors for the reportable segments for the six months ended 30 June 2020 and 2019 are as follows:

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

Interim Financial Information

Notes to the Interim Financial Information (continued)

6 Segment information (continued)

	Six months ended 30 June 2019				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group 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)
Revenue (from external customers)	9,088,147	723,994	1,481,842	156,622	11,450,605
Operating profit/segment results	226,981	259,329	39,046	20,846	546,202
Depreciation	24,391	8,756	44,734	17,389	95,270
Net impairment losses on financial assets and contract assets	17,537	837	7,048	765	26,187

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 2020 and 2019.

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	
	2020 RMB'000	2019 RMB'000
Provision of construction services	9,065,504	9,088,147
Sale of properties	925,647	723,994
Sale of building materials	1,065,676	1,481,842
Rental income	44,238	54,407
Others	100,929	102,215
	11,201,994	11,450,605

Interim Financial Information

Notes to the Interim Financial Information (continued)

7 Investments accounted for using the equity method

	30 June 2020 RMB'000	31 December 2019 RMB'000
Investments in joint ventures (a)	454,469	457,465
Investments in associates (b)	219,458	44,724
	673,927	502,189

(a) Investments in joint ventures

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
At 1 January	457,465	244,322
Additions	1,200	17,700
Share of results	(4,766)	(4,807)
Adjustment for transactions between the Group and joint ventures	570	1,419
At 30 June	454,469	258,634
Represented by share of net assets	454,469	258,634

(b) Investments in associates

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
At 1 January	44,724	323,693
Additions	184,000	–
Disposals	–	(270,314)
Share of results	(9,266)	(8,388)
At 30 June	219,458	44,991
Represented by share of net assets	219,458	44,991

Interim Financial Information

Notes to the Interim Financial Information (continued)

8 Trade and other receivables

	30 June 2020 RMB'000	31 December 2019 RMB'000
Non-current assets		
Loans to joint ventures (a)	621,874	593,705
Loans to associates (b)	232,410	232,410
	854,284	826,115
Current assets		
Trade receivables (c)	4,500,052	4,913,974
Other receivables and prepayments (d)	2,418,218	4,244,874
Loans to joint ventures (a)	309,169	290,054
Loans to associates (b)	9,324	9,324
	7,236,763	9,458,226

(a) Loans to joint ventures

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
At 1 January	892,976	393,822
Additions	39,000	685,792
Repayments	(1,374)	–
Interest accrued	9,940	1,081
	940,542	1,080,695
Less: provision for loss allowance	(9,499)	(13,435)
At 30 June	931,043	1,067,260
Less: current portion	(309,169)	(608,914)
Non-current portion	621,874	458,346

Loans to joint ventures of RMB342,697,000 (31 December 2019: RMB314,372,000) are interest-bearing at market lending rates ranging from 4% to 5.22% (31 December 2019: at ranging from 4% to 5.28%) with maturity within one year, and the remaining loans are interest-free, unsecured and repayable on demand.

Interim Financial Information

Notes to the Interim Financial Information (continued)

8 Trade and other receivables (continued)

(b) Loans to associates

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
At 1 January	244,176	639,995
Repayments	–	(401,128)
Interest accrued	–	3,048
	244,176	241,915
Less: provision for loss allowance	(2,442)	(2,363)
At 30 June	241,734	239,552
Less: current portion	(9,324)	(11,102)
Non-current portion	232,410	228,450

Loans to associates are interest-free, unsecured and repayable on demand as at 30 June 2020 and 31 December 2019.

(c) Trade receivables

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade receivables	4,766,821	5,185,563
Less: provision for loss allowance	(266,769)	(271,589)
	4,500,052	4,913,974

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

Interim Financial Information

Notes to the Interim Financial Information (continued)

8 Trade and other receivables (continued)

(c) Trade receivables (continued)

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 3 months	1,629,249	1,897,554
3 months to 1 year	1,683,941	1,852,451
1 to 2 years	847,187	793,735
2 to 3 years	403,794	443,070
Over 3 years	202,650	198,753
	4,766,821	5,185,563

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. For the six months ended 30 June 2020, a reversal of RMB4,820,000 (six months ended 30 June 2019: provision of RMB16,108,000) was made against the gross amount of trade receivables.

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

Interim Financial Information

Notes to the Interim Financial Information (continued)

8 Trade and other receivables (continued)

(d) Other receivables and prepayments

	30 June 2020 RMB'000	31 December 2019 RMB'000
Other receivables:		
– Retention money and project deposits	912,027	842,095
– Advances to project managers (i)	181,471	150,618
– Bidding deposits for land use rights for property development	–	122,500
– Others	476,139	407,939
	1,569,637	1,523,152
Less: provision for loss allowance	(7,861)	(6,991)
	1,561,776	1,516,161
Prepayments:		
– Prepayments for land use rights for property development	604,062	2,542,875
– Prepaid income taxes	141,318	99,346
– Others	111,062	86,492
	856,442	2,728,713
Other receivables and prepayments	2,418,218	4,244,874

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

Interim Financial Information

Notes to the Interim Financial Information (continued)

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

	Right-of-use for land RMB'000	Right-of-use for properties RMB'000	Property, plant and equipment RMB'000	Investment properties RMB'000
Six months ended 30 June 2019				
At 1 January 2019	616,765	16,939	2,077,820	742,768
Additions	34,183	55	317,319	–
Interest capitalised (Note 18)	–	–	6,415	–
Disposal of subsidiaries	(15,812)	–	(128,582)	–
Other disposals	–	–	(282)	–
Depreciation	(8,473)	(3,518)	(83,279)	–
At 30 June 2019	626,663	13,476	2,189,411	742,768
Six months ended 30 June 2020				
At 1 January 2020	665,821	10,074	2,628,086	766,435
Additions	31,058	–	175,131	–
Interest capitalised (Note 18)	–	–	10,262	–
Disposals	–	–	(2,652)	–
Depreciation	(8,937)	(3,586)	(97,056)	–
At 30 June 2020	687,942	6,488	2,713,771	766,435

The valuations of investment properties at 30 June 2020 and 30 June 2019 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.

10 Contract assets and contract acquisition costs

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Related to construction services	4,393,038	3,313,205
Related to sales of building materials	478,595	515,116
	4,871,633	3,828,321
Less: provision for loss allowance	(14,983)	(14,024)
Total contract assets and contract acquisition costs	4,856,650	3,814,297

Interim Financial Information

Notes to the Interim Financial Information (continued)

11 Share capital and premium

	Number of shares (thousands of RMB1 each)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 30 June 2020				
– Domestic shares	350,742	350,742	–	350,742
– H shares	211,922	211,922	481,433	693,355
	562,664	562,664	481,433	1,044,097
At 31 December 2019				
– 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

12 Reserves

	Financial assets fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
Six months ended 30 June 2020				
At 1 January 2020 and 30 June 2020	(3,053)	221,559	(9,210)	209,296
	Financial assets fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
Six months ended 30 June 2019				
At 1 January 2019 and at 30 June 2019	400	214,073	(9,210)	205,263

Interim Financial Information

Notes to the Interim Financial Information (continued)

13 Trade and other payables

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade payables (a)	7,596,238	7,463,614
Other payables (b)	6,607,086	5,318,181
	14,203,324	12,781,795

(a) Trade payables

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 3 months	3,130,932	3,737,176
3 months to 1 year	2,942,673	2,554,511
1 to 2 years	919,972	743,431
2 to 3 years	385,102	309,436
Over 3 years	217,559	119,060
	7,596,238	7,463,614

(b) Other payables

	30 June 2020 RMB'000	31 December 2019 RMB'000
Deposits from project managers	2,728,708	2,470,910
Amounts due to non-controlling interests (i)	960,229	826,187
Advances from government for housing demolition and relocation (ii)	452,053	450,591
Deposits from property purchasers	844,092	339,511
Other taxes payables	367,903	298,990
Salaries payables	54,167	86,815
Others	1,199,934	845,177
	6,607,086	5,318,181

Interim Financial Information

Notes to the Interim Financial Information (continued)

13 Trade and other payables (continued)

(b) Other payables (continued)

- (i) Loans from non-controlling interests were unsecured, interest free and repayable on demand.
- (ii) Amount represents the advance received from the government for housing demolition and relocation projects. The amount will be used for paying housing demolition and relocation cost in relation to clearing a land owned by the Group to be sold to the government.

14 Bank and other borrowings

	30 June 2020 RMB'000	31 December 2019 RMB'000
Non-current liabilities		
Long-term bank and other borrowings		
– Secured (a)	1,698,420	1,660,230
– Unsecured with guarantee (b)	56,247	77,530
Asset-backed securities		
– Secured (a)	579,700	550,000
Less: current portion	(6,000)	(326,760)
	2,328,367	1,961,000
Current liabilities		
Short-term bank and other borrowings		
– Secured (a)	55,200	271,000
– Unsecured with guarantee (b)	2,967,656	2,226,929
– Guaranteed by the companies within the Group	–	14,000
Current portion of non-current liabilities	6,000	326,760
	3,028,856	2,838,689
	5,357,223	4,799,689

Interim Financial Information

Notes to the Interim Financial Information (continued)

14 Bank and other borrowings (continued)

Movements in bank and other borrowings are analysed as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
At 1 January	4,799,689	2,299,487
Additions	2,718,977	2,461,717
Repayments	(2,161,443)	(1,628,600)
Disposal of subsidiaries	–	(67,067)
At 30 June	5,357,223	3,065,537

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Properties under development	1,749,808	2,288,468
Right-of-use for land	2,049,464	99,829
Investment properties	612,337	612,337
Property, plant and equipment	326,806	236,013
Restricted bank deposits	5,500	–
Completed properties held for sale	–	515,680
	4,743,915	3,752,327

(b) These loans were guaranteed by:

	30 June 2020 RMB'000	31 December 2019 RMB'000
The Company	2,967,656	2,191,429
The Company and non-controlling interests (jointly)	56,247	63,030
Mr. Pang Baogen and the Company (jointly)	–	50,000
	3,023,903	2,304,459

(c) The carrying amounts of bank and other borrowings are mainly denominated in RMB. The weighted average effective interest rate of borrowings at 30 June 2020 was 4.79% per annum (31 December 2019: 4.79% per annum).

Interim Financial Information

Notes to the Interim Financial Information (continued)

15 Other income

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Interest income on		
– Financial assets held as investments	30,235	31,005
– Advances to project managers	18,917	13,244
	49,152	44,249

16 Other gains – net

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Government grants and compensation	20,865	9,418
Gains on disposal of financial assets at FVPL	11,978	12,121
Net foreign exchange gains	4,571	2,788
Gains/(losses) on disposal of property, plant and equipment	628	(217)
Fair value (losses)/gains from financial assets at FVPL	(432)	497
Donations	(6,566)	(2,556)
Gains on disposal of an associate	–	48,470
Gains on disposal of subsidiaries	–	5,667
Others	(5,194)	5,135
	25,850	81,323

Interim Financial Information

Notes to the Interim Financial Information (continued)

17 Expenses by nature

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Cost of construction contracts	6,697,914	6,828,602
Employee benefit expenses	2,349,566	2,331,940
Raw materials and consumables used	799,656	1,165,977
Cost of properties sold	515,998	412,095
Depreciation charges	109,579	95,270
Changes in inventories of finished goods and work in progress	54,760	(20,580)
Others	145,614	190,484
	10,673,087	11,003,788

18 Finance costs – net

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Finance costs:		
Interests on bank and other borrowings, corporate bonds and lease liabilities	128,753	85,071
Less: interest capitalised in properties under development	(54,915)	(48,339)
Less: interest capitalised in constructions in progress	(10,262)	(6,415)
	63,576	30,317
Net foreign exchange losses	66	123
	63,642	30,440
Finance income:		
Interest income from financial assets held for cash management purposes	(8,820)	(6,929)
Finance costs – net	54,822	23,511

Interim Financial Information

Notes to the Interim Financial Information (continued)

19 Income tax expenses

During the period, the Group is subject to the same types of income taxes as those disclosed in 2019 Financial Statements. Income tax expenses are determined and accounted for based on management's estimate of the annual income tax rate expected for the full financial year.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	178,787	137,140
– Land appreciation tax	44,973	15,705
	223,760	152,845
Deferred income tax		
– PRC corporate income tax	(29,244)	4,348
– Land appreciation tax	(158)	16,734
	(29,402)	21,082
	194,358	173,927

20 Earnings per share

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

	Six months ended 30 June	
	2020	2019
Profit attributable to the owners of the Company (RMB'000)	298,105	331,146
Weighted average number of ordinary shares in issue during the period (thousands shares)	562,664	562,664
Basic earnings per share (RMB yuan)	0.53	0.59

The Company had no dilutive potential shares in issue during the six months ended 30 June 2020 and 2019, thus the diluted earnings per share equalled the basic earnings per share.

Interim Financial Information

Notes to the Interim Financial Information (continued)

21 Dividends

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

22 Financial guarantees

	30 June 2020 RMB'000	31 December 2019 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	1,041,997	410,222

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

23 Related-party transactions

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

(a) Transactions with joint ventures

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Sales of goods	1,261	810
Rental income	1,648	1,225
Provision of technical consulting services	7,291	–
Purchase of technical consulting services	18	18
Purchase of building materials	81,751	14,020

(b) Balances with joint ventures

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade receivables	25,061	15,757
Trade payables	38,843	53,774

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 2020