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

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

(Stock Code: 2355)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Baoye Group Company Limited* (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2020. The following financial information is extracted from the audited consolidated financial statements as set out in the Group’s 2021 Annual Report.

* For identification purpose only

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
Revenue	4	26,781,555	25,275,453
Cost of sales		(24,635,560)	(23,198,277)
Gross profit		2,145,995	2,077,176
Other income	5	177,110	182,886
Other gains – net	6	97,695	23,696
Selling and marketing costs		(191,512)	(164,377)
Administrative expenses		(755,869)	(677,520)
Net impairment losses on financial and contract assets		(127,560)	(49,532)
Operating profit		1,345,859	1,392,329
Finance income		12,900	11,247
Finance costs		(91,552)	(96,897)
Finance costs – net		(78,652)	(85,650)
Share of results of investments accounted for using the equity method		25,085	(12,170)
Profit before income tax		1,292,292	1,294,509
Income tax expenses	7	(406,918)	(462,698)
Profit for the year		885,374	831,811
Profit attributable to:			
– Owners of the Company		788,477	794,084
– Non-controlling interests		96,897	37,727
		885,374	831,811
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB per share)	8	1.40	1.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	885,374	831,811
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	4,076	(213)
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	102,190	(4,222)
Total other comprehensive loss for the year, net of tax	106,266	(4,435)
Total comprehensive income for the year	991,640	827,376
Total comprehensive income attributable to:		
– Owners of the Company	894,743	789,649
– Non-controlling interests	96,897	37,727
Total comprehensive income for the year	991,640	827,376

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,979,776	2,798,312
Right-of-use assets		705,160	686,963
Investment properties		763,934	764,969
Intangible assets		388,147	16,534
Investments accounted for using the equity method	10	381,708	676,769
Trade and other receivables	11	632,676	613,074
Financial assets at fair value through other comprehensive income		363,694	222,568
Financial assets at fair value through profit or loss		6,948	6,752
Deferred income tax assets		303,794	253,418
		<u>6,525,837</u>	<u>6,039,359</u>
Current assets			
Inventories		283,715	288,654
Properties under development		14,938,687	11,049,231
Completed properties held for sale		2,228,468	2,826,601
Contract assets	4(b)	7,226,715	5,487,756
Trade and other receivables	11	7,835,106	6,632,126
Financial assets at fair value through profit or loss		481,600	753,600
Restricted bank deposits		1,263,180	1,553,935
Term deposits with initial term of over three months		318,452	282,157
Cash and cash equivalents		7,813,911	7,261,532
		<u>42,389,834</u>	<u>36,135,592</u>
Total assets		<u>48,915,671</u>	<u>42,174,951</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2021	2020
	Note	RMB'000	RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium		1,035,874	1,044,097
Other reserves		335,484	208,997
Retained earnings		9,494,855	8,726,599
		<u>10,866,213</u>	<u>9,979,693</u>
Non-controlling interests		<u>482,960</u>	<u>375,653</u>
Total equity		<u>11,349,173</u>	<u>10,355,346</u>
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		963,225	2,219,700
Lease liabilities		15,547	1,761
Deferred income tax liabilities		206,658	151,535
		<u>1,185,430</u>	<u>2,372,996</u>
Current liabilities			
Contract liabilities	4(b)	16,767,601	11,243,496
Trade and other payables	12	16,256,918	15,420,229
Lease liabilities		1,599	403
Bank and other borrowings		3,089,121	2,434,155
Current income tax liabilities		265,829	348,326
		<u>36,381,068</u>	<u>29,446,609</u>
Total liabilities		<u>37,566,498</u>	<u>31,819,605</u>
Total equity and liabilities		<u>48,915,671</u>	<u>42,174,951</u>

Notes:

1. GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated, and was approved by the Board of Directors for issue on 25 March 2022.

The outbreak of the coronavirus disease 2019 (“**COVID-19**”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the Group including revenue, fair values of investment properties and financial assets at fair value through profit or loss, allowance for expected credit losses on trade and other receivables and contract assets and so on. Due to the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 outbreak and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements are authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (“**financial assets at FVPL**”), financial assets at fair value through other comprehensive income (“**financial assets at FVOCI**”) and investment properties, which are carried at fair value.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	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
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual improvements to HKFRS Standards 2018 to 2020	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

4. SEGMENT INFORMATION

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

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

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

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

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

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

The segment information was as follows:

	Year ended 31 December 2021				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Revenue from contracts with customers	23,493,643	2,365,738	3,503,562	779,619	30,142,562
Recognised at a point in time	–	2,361,342	1,704,032	752,074	4,817,448
Recognised over time	23,493,643	4,396	1,799,530	27,545	25,325,114
Revenue from other sources					
Rental income	–	–	–	150,299	150,299
Total segment revenue	23,493,643	2,365,738	3,503,562	929,918	30,292,861
Less: inter-segment revenue	(1,853,611)	–	(1,164,597)	(493,098)	(3,511,306)
Revenue (from external customers)	21,640,032	2,365,738	2,338,965	436,820	26,781,555
Operating profit	570,250	610,533	145,117	19,959	1,345,859
Depreciation	67,573	12,017	126,013	59,669	265,272
Net impairment losses on financial and contract assets	102,140	913	23,663	844	127,560

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

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

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

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

(a) Analysis of revenue by category

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Provision of construction services	21,640,032	20,433,386
Sale of properties	2,365,738	1,972,143
Sale of building materials	2,338,965	2,486,406
Rental income	150,299	108,818
Others	286,521	274,700
	26,781,555	25,275,453

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

(b) Assets and liabilities related to contracts with customers

Details of contract assets are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Relating to construction services	6,770,224	5,025,646
Relating to installation of building materials	498,648	491,303
	<u>7,268,872</u>	<u>5,516,949</u>
Less: provision for loss allowance	<u>(42,157)</u>	<u>(29,193)</u>
Total contract assets	<u>7,226,715</u>	<u>5,487,756</u>

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

Details of contract liabilities are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Related to construction services	3,356,386	2,986,896
Related to sale of properties	12,882,996	7,734,924
Related to sale of building materials	528,219	521,676
	<u>16,767,601</u>	<u>11,243,496</u>

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

5. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income on		
– Financial assets held as investments	140,688	115,251
– Advances to project managers and joint ventures	36,422	67,635
	<u>177,110</u>	<u>182,886</u>

6. OTHER GAINS – NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants and compensation	50,211	40,397
Gains on disposal of financial assets at FVPL	24,621	19,610
Fair value losses of investment properties	(1,035)	(1,466)
Fair value gains/(losses) of financial assets at FVPL	196	(1,734)
Gains/(losses) on disposal of property, plant and equipment	1,411	(10,517)
Losses on disposal of subsidiaries	–	(13,133)
Donations	(3,274)	(7,825)
Net foreign exchange gains/(losses)	13,062	(10,642)
Others	12,503	9,006
	<u>97,695</u>	<u>23,696</u>

7. INCOME TAX EXPENSES

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current income tax		
– PRC CIT	372,900	317,428
– Land appreciation tax	63,335	152,583
	<u>436,235</u>	<u>470,011</u>
Deferred income tax		
– PRC CIT	(29,261)	3,772
– Land appreciation tax	(56)	(11,085)
	<u>(29,317)</u>	<u>(7,313)</u>
	<u>406,918</u>	<u>462,698</u>

(a) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profit for the year (2020: Nil).

(b) PRC corporate income tax

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

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

Save as aforesaid, the Company and other major subsidiaries were subject to CIT at a rate of 25% (2020: 25%).

(c) PRC land appreciation tax

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

8. EARNINGS PER SHARE

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

	2021	2020
Profit attributable to owners of the Company (RMB’000)	<u>788,477</u>	<u>794,084</u>
Weighted average number of ordinary shares in issue during the year (thousand shares)	<u>561,589</u>	<u>562,664</u>
Basic earnings per share (RMB yuan)	<u>1.40</u>	<u>1.41</u>

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

9. DIVIDENDS

The board of directors did not recommend any payment of final dividend for the year ended 31 December 2021 (2020: Nil).

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Investments in joint ventures (a)	285,093	462,799
Investments in associates (b)	96,615	213,970
	<u>381,708</u>	<u>676,769</u>

(a) Investments in joint ventures

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At 1 January	462,799	457,465
Additions	7,153	2,750
Transfer to investments in subsidiaries	(161,859)	–
Share of results	(23,000)	2,584
	<u>285,093</u>	<u>462,799</u>
At 31 December	<u>285,093</u>	<u>462,799</u>
Represented by share of net assets	<u>285,093</u>	<u>462,799</u>

(b) Investments in associates

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At 1 January	213,970	44,724
Additions	–	184,000
Transfer to investments in subsidiaries	(165,440)	–
Share of results	48,085	(14,754)
	<u>96,615</u>	<u>213,970</u>
At 31 December	<u>96,615</u>	<u>213,970</u>
Represented by share of net assets	<u>96,615</u>	<u>213,970</u>

As at 31 December 2021, there were no contingent liabilities relating to the Group's interests in the joint ventures and associates.

The directors of the Company considered that none of the joint ventures and associates is significant to the Group.

11. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets		
Loans to joint ventures (a)	404,226	384,624
Loans to associates (b)	228,450	228,450
	<u>632,676</u>	<u>613,074</u>
Current assets		
Trade receivables (c)	4,977,224	4,023,446
Other receivables and prepayments (d)	2,632,358	2,306,408
Loans to joint ventures (a)	81,865	294,958
Loans to associates (b)	143,659	7,314
	<u>7,835,106</u>	<u>6,632,126</u>

(a) Loans to joint ventures

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At 1 January	687,182	892,976
Additions	56,734	237,500
Interest accrued	2,401	20,500
Repayments	(254,954)	(463,794)
	<u>491,363</u>	<u>687,182</u>
Less: provision for loss allowance	(5,272)	(7,600)
	<u>486,091</u>	<u>679,582</u>
At 31 December	486,091	679,582
Less: current portion	(81,865)	(294,958)
	<u>404,226</u>	<u>384,624</u>

RMB59,504,000 (2020: RMB275,023,000) of loans to joint ventures are interest-bearing at market lending rates ranging from 4% to 5.22% (2020: 4% to 5.22%), and the remaining amounts of the loans are interest-free, unsecured and repayable on demand.

(b) Loans to associates

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At 1 January	238,145	244,176
Additions	137,030	–
Repayments	–	(6,031)
	375,175	238,145
Less: provision for loss allowance	(3,066)	(2,381)
At 31 December	372,109	235,764
Less: current portion	(143,659)	(7,314)
Non-current portion	228,450	228,450

Loans to associates are interest-free, unsecured and repayable on demand.

(c) Trade receivables

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	5,402,402	4,330,627
Less: provision for loss allowance	(425,178)	(307,181)
	4,977,224	4,023,446

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	1,544,136	1,496,710
3 months to 1 year	2,110,377	1,109,437
1 to 2 years	837,362	1,102,773
2 to 3 years	605,724	379,662
Over 3 years	304,803	242,045
	5,402,402	4,330,627

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2021, a provision of RMB425,178,000 (2020: RMB307,181,000) 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.

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Denominated in:		
– RMB	5,328,745	4,260,710
– Other currencies	73,657	69,917
	<u>5,402,402</u>	<u>4,330,627</u>

As at 31 December 2021, the carrying value of trade receivables approximated their fair value.

(d) Other receivables and prepayments

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables:		
– Retention money and project deposits	645,135	906,292
– Advances to project managers	127,677	101,145
– Others	277,517	457,871
	<u>1,050,329</u>	1,465,308
Less: provision for loss allowance	(5,682)	(7,440)
	<u>1,044,647</u>	1,457,868
Prepayments:		
– Prepayments for land use rights for property development	1,206,298	727,071
– Prepaid income taxes	212,178	45,983
– Prepayments for buy-back of shares	76,487	2,339
– Others	92,748	73,147
	<u>1,587,711</u>	848,540
Other receivables and prepayments	<u>2,632,358</u>	<u>2,306,408</u>

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

As at 31 December 2021, the carrying value of other receivables approximated their fair value.

As at 31 December 2021, the carrying amounts of other receivables and prepayments were mainly denominated in RMB.

12. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables(a)	8,931,312	8,109,165
Other payables(b)	7,325,606	7,311,064
	<u>16,256,918</u>	<u>15,420,229</u>

(a) Trade payables

As at 31 December 2021, the ageing analysis of the trade payables based on invoice date was as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	4,068,131	3,910,773
3 months to 1 year	3,040,874	2,715,607
1 to 2 years	998,595	777,780
2 to 3 years	619,628	563,460
Over 3 years	204,084	141,545
	<u>8,931,312</u>	<u>8,109,165</u>

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

(b) Other payables

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Deposits from project managers	3,095,360	3,219,586
Loans from non-controlling interests (i)	1,071,237	1,271,312
Advance from government for housing demolition and relocation (ii)	780,361	450,591
Deposits from property purchasers	580,364	742,656
Other taxes payables	704,597	450,515
Salaries payables	93,174	99,096
Others	1,000,513	1,077,308
	<u>7,325,606</u>	<u>7,311,064</u>

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

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

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 14 June 2022 (the “AGM”). The notice of the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 May 2022 to 14 June 2022, both dates inclusive, during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s H Shares registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for holders of H Shares), or to the Company’s office address at No.1687 Guazhu East Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Domestic Shares) no later than 4:30 pm on 12 May 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the year ended 31 December 2021, the Group achieved a consolidated revenue of approximately RMB26,781,555,000 (2020: RMB25,275,453,000), representing an increase of approximately 6.0% compared to the previous year; operating profit reached approximately RMB1,345,859,000 (2020: RMB1,392,329,000), representing a decrease of approximately 3.3% compared to last year; profit attributable to owners of the Company amounted to approximately RMB788,477,000 (2020: RMB794,084,000), relatively the same level as of the previous year, earnings per share was RMB1.40 (2020: RMB1.41), relatively the same level as compared to the previous year.

In 2021, the domestic epidemic remains sporadic distribution, but under the effective prevention and control by the Central Government, China’s economy is slowly recovering, and the GDP has achieved a growth of 8.1%. The Government adheres to the policy of “residential housing is for living, not for speculation” in the real estate industry, and the long-term goal of “stabilizing land prices and housing prices”. Due to the overly aggressive operation of some leading real estate companies with high indebtedness in the early stage, when the national credit policy has been tightening up, “storms” emerged. Although the crisis has not been completely resolved so far, we believe that with the cohesive efforts of government departments, financial institutions and enterprises, the “debt crisis” encountered by real estate companies can ultimately and effectively be resolved in a long period of time through use of various measures. Under the leadership of the Board of Directors, the Group’s operating results in 2021 still registered a relatively stable growth compared to last year. Despite these adverse market conditions, the construction business and real estate development business continued to achieve revenue growth and both the building construction and building materials sectors achieved operating profit growth.

Revenue

	For the year ended 31 December				Change
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	
Construction	21,640,032	81%	20,433,386	81%	6%
Property Development	2,365,738	9%	1,972,143	8%	20%
Building Materials	2,338,965	9%	2,486,406	10%	-6%
Others	436,820	1%	383,518	1%	14%
Total	<u>26,781,555</u>	<u>100%</u>	<u>25,275,453</u>	<u>100%</u>	<u>6%</u>

Operating profit

	For the year ended 31 December				Change
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	
Construction	570,250	42%	545,212	39%	5%
Property Development	610,533	45%	725,085	52%	-16%
Building Materials	145,117	11%	110,300	8%	32%
Others	19,959	2%	11,732	1%	70%
Total	<u>1,345,859</u>	<u>100%</u>	<u>1,392,329</u>	<u>100%</u>	<u>-3%</u>

Operating Profit Margin

	For the year ended 31 December		
	2021	2020	Change
Construction	2.6%	2.7%	-4%
Property Development	25.8%	36.8%	-30%
Building Materials	6.2%	4.4%	41%
Others	4.6%	3.1%	48%

Construction Business

For the year ended 31 December 2021, the Group's construction business achieved revenue of approximately RMB21,640,032,000, up approximately 6% over last year; operating profit amounted to approximately RMB570,250,000, up approximately 5% over last year. The increase in revenue and operating profit of the construction business was mainly due to increase in number of contracts signed in the recent years and orderly resumption of construction works brought by the epidemic prevention measures.

In 2021, the construction business of the Group will continue to deepen the existing mature markets in Zhejiang, Jiangsu, Hubei and other places. While consolidating the traditional construction business, we will continue to thoroughly implement the integrated development strategy of general contracting and prefabricated buildings, and expand EPC projects. At the same time, the Group's construction business has also implemented strategic integration with the Group's real estate development business and construction industrialization business, leveraging the advantages of the entire industry supply chain. In Lishui and other markets, the Group has achieved great breakthrough and success in undertaking government public construction projects with the support of construction industrialization technology. The quality and structure of the business undertaken have been continuously optimized, and the proportion of public construction projects has been greatly increased. During the year, the contract value of new construction projects was approximately RMB19.6 billion (2020: approximately RMB22.4 billion), representing a decrease of approximately 12.5% over the previous year. And a number of EPC projects and some other high-end construction projects were undertaken, such as Shaoxing Chengtuo Business Building, SMIC Shaoxing Garden Project (Phase II), Guyuan Innovation and Entrepreneurship Center, Lishui Economic and Technological Development District Talent Innovation and Entrepreneurship Base Project, Lishui Southwest Zhejiang Science and Technology Innovation Industrial Park (Phase II), Keqiao Yangshan Climbing Center, Longfor CBD project in Hefei, Zibo CBD project in Shandong province and etc..

The Group focuses on brand building. It was the leader of all competitions in industry awards during the year in Zhejiang, which helped to enhance the Group's reputation. In 2021, the Group received a total of 29 awards, the key awards are appended as follows:

Projects Name	Awards
Zhejiang Shuren College Shaoxing Campus Phase II Construction Project	National Quality Project
Wenzhou Economic and Technological Development District Marine Science and Technology Innovation Park Phase I Project	Qianjiang Cup
Yuyao Second People's Hospital Relocation Project	Qianjiang Cup
Century Plaza (Jialan Mingxuan) Project	Haihe Cup Golden Award

Projects Name	Awards
Plot No. 21, North Section of Erqi Yanjiang Core Business Area	Chutian Cup
Peacock City Aerospace Palace • Binjiang Garden Phase II	High-quality Construction Projects of Hubei Province
Guanggu Innovation World	Huanghe Cup
Hefei High-tech District Nangang Public Rental Housing	Mount Huang Cup
Mengcheng County Administrative Service Center	Shaohua Cup
Hefei 168 Rose Garden School South District	Hupo Cup
Shanghai Baoye Center	Second Prize of National Green Building Innovation Award

Property Development Business

Property Sales

For the year ended 31 December 2021, revenue of the Group's property development business amounted to approximately RMB2,365,738,000, representing a significant increase of approximately 20% from last year. Operating profit amounted to approximately RMB610,533,000, representing a decrease of approximately 16%. The increase in revenue from the property development business was mainly due to the significant increase in areas sold recognized during the year compared to last year, while the decrease in operating profit was mainly due to the projects with lower profit margins and comparatively higher proportion were delivered during the year, all of which were principally located in third-tier and fourth-tier cities in Anhui Province.

For the year ended 31 December 2021, revenue of property sales was mainly derived from the following projects, details of which are set out below:

Project	Location	Average Selling Price (RMB/Sqm)	Floor Areas Sold (Sqms)	Revenue (RMB'000)
Baoye City Green Garden	Taihe	6,416	74,003	474,794
Baoye Xinqiao Fengqin	Shaoxing	14,137	30,547	431,856
Baoye Junyue Green Garden	Lu'an	5,116	54,820	280,473
Baoye Ido	Shanghai	41,195	6,254	257,647
Baoye Longhu Yucheng	Kaifeng	3,692	69,380	256,159

For the year ended 31 December 2021, the sales contracts of the Group's property development business amounted to approximately RMB5.15 billion (2020: RMB7.20 billion) and a contract sale area of approximately 500,000 square metres, excluding the property sales registered under joint ventures that will be progressively completed, delivered and recognised as revenue in the next two to three years.

Projects under development

As at 31 December 2021, the Group's projects under development are set out below:

Project Name	Location	Total Floor Area under Development (Sqms)	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	300,000	100%
Daban Green Garden	Shaoxing	145,700	100%
Xialv Project·Yunxili	Shaoxing	214,970	60%
Fengyue Shangzhu	Hangzhou	49,497	100%
Huajie Fengqing	Lishui	260,363	100%
Xisahn Yueyuan	Lisui	116,905	100%
Baoye Phoenix One	Ningbo	84,005	100%
Baoye Active Hub	Shanghai	94,722	100%
Baoye Qingchun Li	Shanghai	36,289	100%
Baoye Active Paradise	Shanghai	65,001	100%
Xingyu Fu	Wuhan	259,056	100%
Yuzhu Project	Wuhan	233,181	100%
Yuke Project	Wuhan	102,015	100%
Binhu Green Garden	Mengcheng	201,572	100%
Shidai Green Garden	Mengcheng	149,994	60%
Fuxing Jiayuan	Jieshou	467,293	100%
Yinghe Green Garden	Taihe	209,185	51%
Jiangnan Fu	Taihe	68,654	100%
Baoye Longhu Yucheng	Kaifeng	300,598	60%
Baoye Junyue Green Garden	Lu'an	216,407	100%
Zhengzhou Project	Zhengzhou	Under Planning	51%
Sizhou Green Garden	Sixian	217,323	100%
Xuefu Green Garden	Sixian	Under Planning	100%
Yeji Jiannan Fu	Lu'an	101,612	70%
Qinglan Green Garden	Bozhou	Under Planning	51%

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a provincial – level resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilisation flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from the downtown of Shaoxing City, it is known as the “natural treasure in the heart of a city”. Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres and a planned gross floor area of approximately 650,000 square metres for the development of deluxe villas, semi-detached villas and town houses, all fully equipped with supporting facilities, such as a golf club, a five-star resort hotel, two leisure parks, a sport park, a shopping arcade, kindergarten and a central lakeside garden. Phase I still has a few spare houses for sale. Phase II of approximately 300,000 square meters is currently under planning. The first phase of terrace house and semi-detached houses are under presale, and some villas are expected to start presale in the first half of 2022.

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

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

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

Baoye Huajie Fengqing is located in Liandu District, Lishui City, Zhejiang Province. It covers a site area of approximately 95,794 square meters and a gross floor areas of approximately 260,363 square meters. The residential area is approximately 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 Baoye, which has been basically sold out and will be delivered to customers in the first half of 2022.

Xishan Yueyuan, located in Liandu District, Lishui City, Zhejiang Province, has a total site area of approximately 45,173 square meters and a total gross floor area of approximately 116,905 square meters. The project consists of high-rise, multi-storey, well decorated and rough buildings, some of which will be built by the Century-lasting construction technology. A subsidiary of the Group acquired this land use right in August 2021 at a total consideration of RMB510,000,000. At present, the project is under planning.

Baoye Phoenix One, located in Ningbo City, Zhejiang Province, with a site area of 26,958 square meters and saleable areas of 84,005 square meters, was acquired by the Group in August 2020 at a consideration of RMB332,952,898. The project consists of apartment and official buildings with convenient transportation and other facilities and will be the young's center for career, business, living and leisure. This project started the presale in May 2021 and the results has been good. Currently, the project only has a few remaining units for sale.

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 land use right at a total consideration of RMB913,630,000 in September 2019. This project has residential and commercial parts, and is positioned as a construction that faces the future and salutes the art of architecture. The project will be constructed as a landmark with green, healthy, intelligent, civilized and artificial and artistic characteristics. The project has been basically sold out, and will be delivered in the second half of 2022.

Baoye Qingchunli Project, located in Qingcun Town, Fengxian District, Shanghai, has a site area of approximately 13,102 square meters, with a plot ratio of 1.8 and a gross floor area of approximately 36,289 square meters. The Group acquired this land use right in November 2020 at a total consideration of RMB312,000,000. The project will be constructed with a new industrialized prefabricated technology, using the fully imported production line from the global leading brand, German Vollert, and will be delivered well-decorated. The project is currently under presale.

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

Xingyufu project, located in Xinzhou District, Wuhan City, Hubei Province, has a total site area of 129,528 square meters and a gross floor area of approximately 259,056 square metres. The Group acquired this land use right in December 2017 at a consideration of RMB780 million. The project was planned to be developed in three phases. Phase I is under presale, while the Phase II and III are under planning.

Wuhan Yuzhu Project, located in Xinzhou District, Wuhan City, Hubei Province, has a total gross floor area of approximately 233,181 square meters, consisting of commercial units, parking areas and approximately 178,000 square meters saleable residential areas. On 17 May, 2021, a subsidiary of the Company acquired 51% equity interest of the project from the project partner. As a result, the Company currently holds 100% equity of the project company. For details, please refer to the announcement issued by the Company on 17 May, 2021. This project has some remaining units for sale.

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

Mengcheng Binghu Green Garden, located in Mengcheng County, Anhui Province, has a total site area of 78,640 square meters and a gross floor area of 201,572 square meters of high-rise residential buildings, garden houses, townhouses and commercial housing. A subsidiary of the Group acquired through public tendering and bidding at a total consideration of RMB366 million in August 2018. The project started presale in the second half of 2019. The garden houses and townhouses have been delivered, and high-rise residential buildings are expected to be delivered in 2022.

Mengcheng Shidai Green Garden, located in Mengcheng County, Anhui Province, has a site area of 58,797 square metres and a gross floor area of 149,994 square metres. A subsidiary of the Group acquired this land use right through public tendering and bidding in April, 2020 at a total consideration of RMB190,000,000. The project consists of high-rise, multi-storey residential and commercial buildings. Phase I started pre-sale in the first half of 2021 and is expected to be delivered in 2023.

Baoye Fuxing Jiayuan, located in Jieshou City, Fuyang City, Anhui Province, has a site area of approximately 172,656 square meters and a gross floor areas of approximately 467,293 square meters. The Group acquired this land use right at a total consideration of RMB370,348,000 through public tendering and bidding in June 2018. The project will be fully repurchased by the local government while finished. Currently the construction of the project has been finished and will be delivered in the first half of 2022.

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

Jiangnan Fu, located in Taihe County, Anhui Province, has a site area of approximately 29,577 square meters and a gross floor area of approximately 68,654 square meters with a plot ratio of 1.7. In June 2020, a subsidiary of the Group acquired this land use right through public tendering and bidding. The project started the presale at the beginning of 2022.

Baoye Longhu Yucheng is located in a prime area of Eastern New City, Kaifeng County, Henan Province. It has a site area of approximately 648,000 square metres and an estimated gross floor area of approximately 972,000 square metres. After completion, it will become the city's new business centre and leisure centre. The project will be developed in five phases. Phase I and II had been delivered, and only some units remain for sale. At present, Phase III is under presale.

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

Zhengzhou Project, located in Zhengzhou City, Henan Province, has a total site area of 336,776 square meters. The Group acquired this 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, the sample area of land No.2 is under construction.

Sizhou Green Garden, located in the Sixian Economy Development District, Suzhou City, Anhui Province, has a total site area of 46,888 square meters, and a total gross floor areas of 124,907 square meters. The Group acquired this land use right of land A and B through public tendering and bidding at a total consideration RMB113,500,000. In April 2020, the Group acquired land C with a total site area of approximately 42,007 square meters at a total consideration of RMB107,120,000 through public tendering and bidding. The project has convenient transportation and good educational resources. Land B has been delivered in 2021. Land A is expected to be delivered in 2022 and land C is under construction.

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

Yeji Jiangnan Fu, located in Lu'an City, Anhui Province, has a total site area of 59,241 square meters and a gross floor area of approximately 101,612 square meters with a plot ratio of 1.2. A subsidiary of the Company obtained this land use right in December 2020 at a total consideration of RMB108,640,000 through public tendering and bidding. The Company holds 70% interest of this project. The project will be built as a high-end community consisting of characteristic villas, low-rise residences and bungalows and is currently under pre-sale.

Qinglan Green Garden, located in Lixin County, Bozhou City, Anhui Province, has a site area of approximately 171,179 square meters with a plot ratio of 1.8. A subsidiary of the Company obtained this land use right in September 2021 at a total consideration of RMB565,000,000. The Company holds 51% interest of the project. At present, the project is under planning.

New Land Reserve

During the year of 2021, the newly acquired land reserve is tabulated below:

Time	Location	Cost (RMB'000)	Land area (Sqms)	Equity
May, 2021	Hangzhou City, Zhejiang Province	335,000	16,235	100%
June, 2021	Sixian County, Suzhou City, Anhui Province	300,000	111,955	100%
June, 2021	Qingpu District, Shanghai City	568,600	22,309	100%
August, 2021	Lishui City, Zhejiang Province	510,000	45,173	100%
September, 2021	Bozhou City, Anhui Province	565,000	171,179	51%

Regarding to new land reserve, the Group will continue to adopt a prudent but proactive attitude and adhere to the philosophy of prudent operation and innovative operation methods. The Group's land reserves are mainly distributed in Zhejiang, Hubei, Shanghai, Anhui, Henan and other regions where the Group's business has extensive coverage. Reasonable regional distribution and in-depth market research ensure the profit margins and risk resistance capabilities for the property development business.

Building Materials Business

For the year ended 31 December 2021, revenue of the Group's building materials business amounted to approximately RMB2,338,965,000, representing a decrease of approximately 6% over last year; operating profit was approximately RMB145,117,000, representing a significant increase of approximately 32% from last year.

For the year ended 31 December 2021, revenue from the Group's building materials is analysed below:

	For the year ended 31 December				Change
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	
Curtain Wall	1,333,782	57%	1,094,197	44%	22%
Ready-mixed Concrete	171,188	7%	839,222	34%	-80%
Furnishings and Interior Decorations	228,152	10%	109,073	4%	109%
Wooden Products and Fireproof Materials	102,222	4%	81,359	4%	26%
PC assembly plate	268,585	12%	160,649	6%	67%
Steel structure	27,575	1%	30,792	1%	-10%
Others	207,461	9%	171,114	7%	21%
Total	2,338,965	100%	2,486,406	100%	-6%

In 2021, by balancing the epidemic prevention, control and the recovery of production, the Group's building materials business segments achieved satisfactory results. Regarding the ready mixed concrete, the Group disposed of its 100% equity interest in Hubei Construction Engineering Concrete Products Company Limited in 2020. For this reason, the revenue from the ready mixed concrete recognized in 2021 decreased significantly in 2021 compared to that in 2020. Except that, other segments of the building materials achieved a steady increase in revenue and operating profit in 2021. At the same time, the building materials business also formulated energy saving and carbon reduction policies in line with the national carbon reduction policy. In the building materials bases, the advanced production equipments are widely used to reduce the generation of waste. The Group will continue to explore new technologies for emission reduction and strive to improve the level of environmental protection technology and management, so as to achieve the goal of low-carbon-emission development.

BUSINESS PROSPECT

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

The construction industry was and will still be a fully competitive industry in the past and in the years to come. In 2021, under the impact of the Sino-US trade dispute and the COVID-19 epidemic, the costs of construction industry such as raw materials, labor, and machinery equipment will continue to rise. Affected by the sudden collapses of some sizable real estate developers, survival becomes a serious challenging issue for a large number of construction companies. In the future, confronting those increasing uncertainties such as the adjustment of the national industrial structure and the transformation of economic development momentum, the construction industry will face more difficult challenges on survival and development. With the proposal of the carbon-emission peak and carbon-emission neutral goals, the government's requirements for energy conservation and carbon-emission reduction in the construction industry are ever demanding tasks. Construction enterprises urgently need to increase investment in technology research to meet the requirements of low-carbon and green development. At present, the construction industry has shifted from incremental competition to stock competition. With the increasingly fierce market competition, enterprises with strong capital, technology and talent advantages will occupy a larger market share. Facing the severe and complex external situation, Baoye will continue to maintain a stable and prudent business approach, enhance internal strength, and optimize regulations and institutions to avoid risks at source. With the concept of "expend scale-oriented market, do quality – oriented business", we will undertake new business cautiously, continue to seep through the familiar Yangtze River Economic Belt market, and actively seize strategic opportunities such as the "Yangtze River Delta Integration" and "Hangzhou-Shaoxing City Integration", and develop in infrastructure fields such as railways, tunnels and water conservancy, and increase the proportion of public construction projects to optimize the revenue structure. In the process of business development, strengthen quality and safety control, thoroughly implement the life-long responsibility system, adhere to set good example and establish benchmark projects for

observation and imitation, truly achieve “refined management and excellent construction in every project”, so that Baoye’s brand image and competition will be strengthened and enhanced. We will firmly adhere to the “technology, industry and trade” line, based on BIM technology, with green building as the carrier, and smart construction sites as the starting point, establish digital platform, cultivate construction and artisan talents, promote digital transformation, and activate the endogenous power of the enterprise, to achieve high-quality development.

Property development business contributes substantial profit for the Group

In the future, the basic policies that unswervingly adhering to the positioning of “residential housing is for living, not for speculation” and not using real estate as a tool and means to stimulate the economy in the short term will still be the country’s general direction for the real estate industry. In the short term, the debt crisis of the “exploded” real estate companies still need to be resolved. Although the government has relaxed the credit policy for personal home purchase, the market is still under observation. From the longer term perspective, the government will continue to stabilize land prices, housing prices, and will steer the way to lead the entire industry to deleverage steadily step by step into the right path towards soft-landing, upon which can meet the housing needs of the general public at-large and return to the fundamental residential attributes. That will be the general direction for the real estate industry to achieve stable and healthy long-term development. We believe that residential housing will return to its residential attributes from financial attributes, and that real estate development companies will return to healthy competition by improvement in the quality of residential products by adopting the traditional business model that relies on land appreciation, rising housing prices, and captures enhancement of profits through higher turnover and scalable expansion.

In the future, Baoye will continue to pay close attention to the changes in the government’s real estate policy, conduct in-depth analysis and research on the population density and market distribution in various regions, and choose the right time to acquire high-quality real estate projects in booming areas. At the same time, Baoye will continue to build the “Century-lasting House” brand, differentiating it from the mass market, and attain refinement based on its solid foundation. Just like the manufacture of automobiles, Baoye will integrate 80,000 industrialized parts and a variety of energy-saving, energy-creating and energy-storing technologies in creating a “highly-dimensional” residential housing characterized by its high-quality, high-tech, high-comfort, green energy-saving features. Baoye always adheres to quality-oriented, and builds products with the concept of “Manufacture of housing is like the manufacture of medicines, sub-quality product is not allowed”. We believe that “Housing changes Society”. When the industry returns to its fundamental residential attribute, market competition drives on quality wins, Baoye’s high standards and strict quality requirements will be well perceived by our customers as well as in the market place.

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

All along, as government at all levels have progressively issued opinions and suggestions to encourage the development of prefabricated buildings and construction industrialization, some enterprises have invested in many PC (precast concrete) factories, assuming that they have built factories and produced a few PC boards, so they have had mastered the core technologies in construction industrialization. In fact, Baoye, as a Company who has been undertaking many national housing industrialization projects since 1996, has been tirelessly exploring and researching the topic of building industrialization for more than 20 years. We believe that construction industrialization is based on the concept of green development, supported by technological innovation, and aiming at the transformation and upgrading of the construction industry. It is a new construction industry consisting of a complete series of construction stages from design, manufacture, construction to post-operation and management. Prefabricating process in building is only serving as an assembled process in bridging all components and parts that are associated with industrialized construction production. At present, there are still a series of inherited problems in the construction industry, such as project quality and efficiency, green development, workers' low professional standard, and shortage of skilled workers. Construction industrialization can reorganize the entire construction industry from the perspective of technology and management. In the field of construction industrialization, Baoye is a veteran with rich practical experience and technical accumulation. We master construction know-how much better than any real estate companies, and understand real estate development better than any other construction companies. In the future, we will continue to explore new opportunities. Other than continuously consolidating existing construction industrialization base, we will continue to research and explore the integration of the whole process of design, procurement, construction and decoration within the entire supply chain of the Group. Taking the EPC model as an entry point, we will portray a construction industrialization system with Baoye's characteristics that can integrate those fragmented segments such as construction, production, development and evolve into the professional engineering management of the entire industry supply chain.

FINANCIAL REVIEW

Financial Policies

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

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

Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People's Bank of China. Such excellent credit rating will benefit the Group's financing activities and allow the Group to continue to enjoy the prime rate offered by the banks. During the year, the Group maintained part of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 46.0% of the total borrowings (2020: 50.9%). In addition, approximately 45.8% of the total borrowings (2020: 39.9%) were guaranteed by the Company; approximately 3.1% of the total borrowings (2020: 3.9%) were jointly guaranteed by the Company, non-controlling interests and others. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

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

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resources to expand its business. As at 31 December 2021 the Group has unutilized banking facilities amounting to approximately RMB8.2 billion. Details of which are analysed below:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	7,813,911	7,261,532
Term deposits with initial term of over three months	318,452	282,157
Restricted bank deposits	1,263,180	1,553,935
Less: total borrowings	(4,052,346)	(4,653,855)
Net cash	5,343,197	4,443,769
Total equity attributable to the owners of the Company	10,866,213	9,979,693
Net cash ratio	49.2%	44.5%

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

Acquisition of Construction Stone Mining Right

In July 2021, a wholly-owned subsidiary of the Company acquired a construction stone mining right in Yichang City, Hubei Province through public auction and bidding at a total consideration of RMB371,613,000. The Company shall have the extraction right to mine, process and sell construction stone for a period of 23 years since the date of obtaining the mining license. The acquisition of the construction stone mining right will effectively lower the cost, and ensure the quality and supply of the raw materials of the construction business of the Company. What is more, the acquisition will also generate incremental revenue on sale to external customers for the building materials business. The construction stone mining right was classified as an intangible asset.

Other Key Financial Ratios

	As at 31 December	
	2021	2020
Return on equity	7.3%	8%
Net assets value per share (RMB yuan)	19.38	17.74
Current ratio	1.17	1.23

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

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

Current ratio = current assets/current liabilities

During this year, the profit attributed to owners of the Company was approximately RMB788,477,000, almost the same with last year. The return on shareholders' equity has decreased by approximately 8.8% over the previous year. But the net assets per share have increased by approximately 9.2% as compared to last year. As at 31 December 2021, the Group was still in a net cash position with a net cash ratio of 49.2%.

Cash Flow Analysis

	<i>Note</i>	For the year ended	
		31 December	
		2021	2020
		RMB'000	<i>RMB'000</i>
Cash inflow from operating activities	<i>(i)</i>	1,345,001	1,876,779
Cash inflow/(outflow) from investing activities	<i>(ii)</i>	188,779	(344,120)
Cash (outflow)/inflow from financing activities	<i>(iii)</i>	(977,719)	235,770
Net increase in cash and cash equivalents		556,061	1,768,429
Exchange losses on cash and cash equivalents		(3,682)	(11,865)

Note:

- i During the year, the net cash inflow from operating activities was approximately RMB1,345,001,000, a decrease of approximately RMB531,778,000 compared to the net cash inflow of approximately RMB1,876,779,000 of last year, which was primarily due to the increase of investment in properties under development during the year.
- ii During the year, the net cash inflow from investing activities was approximately RMB188,779,000, an increase of approximately RMB532,899,000 compared to the net cash outflow of approximately RMB344,120,000 of last year, which was mainly due to the increase of disposal of financial assets at fair value through profit or loss.
- iii During the year, the net cash outflow from financing activities is approximately RMB977,719,000, an increase of approximately RMB1,213,489,000 compared to the net cash inflow of approximately RMB235,770,000 of last year, which was mainly due to the decrease of bank borrowings because of the sufficient cash flow of the Group in 2021.

Other Gains-Net

During the year of 2021, the Group recorded other gains-net of approximately RMB97,695,000, representing an increase of approximately RMB73,999,000, which was mainly attributable to net foreign exchange gains of approximately RMB13,062,000 and an increase of approximately RMB9,814,000 from government grants and compensation, while in 2020, losses of approximately RMB13,133,000 from disposal of subsidiaries, losses of approximately RMB10,517,000 from disposals of property, plant and equipment and losses of approximately RMB10,642,000 from net foreign exchange.

Selling and Marketing Costs

The Group's selling and marketing costs amounted to approximately RMB191,512,000 for the year ended 31 December 2021 (2020: approximately RMB164,377,000), representing an increase of approximately RMB27,135,000, mainly due to the increase in selling and marketing costs from the property development business.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB755,869,000 for the year ended 31 December 2021, an increase of approximately RMB78,349,000 compared to approximately RMB677,520,000 of last year, primarily due to the increase of consulting fees, depreciation, and cancellation of the state's social security reduction and exemption policies caused by the COVID-19 from the administrative expenses.

Finance Costs

During the year ended 31 December 2021, the Group recorded finance costs-net of approximately RMB78,652,000 (2020: RMB85,650,000).

Income Tax Expenses

During the year ended 31 December 2021, income tax expense comprised of PRC corporate income tax of RMB343,639,000 (2020: RMB321,200,000) and PRC land appreciation tax of RMB63,279,000 (2020: RMB141,498,000) representing a decrease of approximately RMB55,780,000, which was due to the low profit of real estate projects recognized during the year of 2021, the land appreciation tax accrued decreased significantly compared with the previous year.

Land Appreciation Tax

The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial Reporting and Accounting Standards in accounting for such tax provision, and has also prepaid the land appreciation taxes based on the sale values by applying assessable rates determined by the respective local tax authorities where the properties are located. For the year ended 31 December 2021, the Group's land appreciation tax amounted to approximately RMB63,279,000.

Financial Guarantee

	31 December 2021 RMB'000	31 December 2020 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	2,330,144	1,664,673

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

Details of the Charges on the Group's Assets

As at 31 December 2021, right-of-use assets for land, property and plant and equipment, properties under development, investment properties and equity interest in a subsidiary at a total value of approximately RMB6,217,914,000 (as at 31 December 2020: RMB6,087,712,000) were pledged to banks as security in securing bank borrowings.

Capital Expenditure Plan

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

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

CONNECTED TRANSACTIONS

During the year of 2021, the Group had no connected transaction that would require disclosure under the Listing Rules.

CONTINGENT LIABILITIES

As at 31 December 2021, neither the Company nor the Group had any significant contingent liabilities.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

On 17 May 2021, the Company acquired a 51% equity interest in Wuhan Yuzhu Project at a consideration of RMB202.79 million (approximately HK\$244.95 million). The Company holds 100% interest in Wuhan Yuzhu Project after the acquisition. For details, please refer to the announcement issued by the Company on May 17, 2021. Save as disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries, joint ventures and associates during the year.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

Since the special resolution regarding the authorization to the Board to buyback H shares of the Company since 2019 Annual General Meeting and class meetings, the Company has repurchased a total of 2,030,000 H Shares from May 2021 to June 2021, representing 0.9579% and 0.3608% of the total number of H Shares and the total number of issued Shares of the Company respectively at the time the special resolution passed. Total amount paid was HKD9,058,960 (excluding transaction charges). The repurchased 2,030,000 H Shares were cancelled on 22 June 2021. For details, please refer to the next day disclosure returns from 25 May 2021 to 10 June 2021 published on the website of the Stock Exchange.

Since the special resolution regarding the authorization to the Board to buyback H shares of the Company since 2020 Annual General Meeting and class meetings, the Company has repurchased a total of 2,932,000 H Shares from December 2021 to January 2022, representing 1.3970% and 0.5230% of the total number of H Shares and the total number of issued Shares of the Company respectively at the time the special resolution passed. Total amount paid was HKD12,125,780 (excluding transaction charges). The repurchased 2,932,000 H Shares has not yet been cancelled. For details, please refer to the next day disclosure returns from 29 December 2021 to 21 January 2022 published on the website of the Stock Exchange.

As at 31 December 2021, the total number of Shares in issue was 560,634,053 (including 350,742,053 domestic shares and 209,892,000 H shares).

Particulars of the shares buy-back are as follows:

Month	Number of shares bought back	Purchase price per share		Aggregate Consideration (before expenses) (HKD)	Current Status
		Highest (HKD)	Lowest (HKD)		
May 2021	526,000	4.47	3.92	2,136,400	Cancelled
June 2021	1,504,000	4.65	4.53	6,922,560	Cancelled
December 2021	234,000	3.80	3.80	889,200	Not Cancelled
January 2022	2,698,000	4.45	3.82	11,236,580	Not Cancelled
Total	<u>4,962,000</u>			<u>21,184,740</u>	

Save as disclosed above, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

The Directors believed that the above share buy-backs should reflect the underlying value of the Company, and signify the Group's confidence in its long-term growth prospects.

HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 6,629 permanent employees (as at 31 December 2020: 6,463). Also, there were approximately 76,235 indirectly employed construction site workers (as at 31 December 2020: 74,788). These workers were not directly employed by the Group. For the year ended 31 December 2021, the total employee benefit expenses amounted to approximately RMB5,586,383,000. Employee benefit expenses include salaries, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Board is continuously working on devising, revising and implementing a more effective employee incentive plan and training plan to encourage superior performance of employees to fit into the Group's long term development plan.

LITIGATION AND ARBITRATION

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

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

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

CHANGE OF REGISTERED ADDRESS NAME

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

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

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (version up to 31 December 2021) (the “CG Code”) prescribed in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2021, the Company has complied with all the code provisions as set out in the CG Code, except for deviation of provisions as mentioned below:

Code provision A.2.1 of the CG Code (which has been re-numbered as Code provision C.2.1 of the CG Code since 1 January 2022) provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this provision because Mr. Pang Baogen has been performing both the roles of chairman and chief executive officer. The Group has appointed three general managers to oversee and manage the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of the Group’s policies efficiently. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Board and the Supervisory Committee have adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct for securities transactions by the Directors and Supervisors. Specific enquiries have been made by the Company and all the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the year of 2021. If any related employees possess information which may be considered as sensitive to the Company’s share price and such information is not public, such employee has to comply with the written guidelines, which is as strict as the Model Code.

AUDIT COMMITTEE

The audit committee of the Company consists of two independent non-executive directors, namely Mr. Chan Yin Ming, Dennis (chairman), Mr. Li Wangrong and one non-executive director, Mr. Fung Ching, Simon. The audit committee held two meetings on 25 March 2021 and 24 August 2021. Mr. Chan Yin Ming, Dennis, Mr. Li Wangrong and Mr. Fung Ching, Simon attended the meetings. The audit committee has discussed the accounting policies, the critical accounting estimates and assumptions, the audit objectives and the scope of the Group’s internal audit department with management. They also discussed with the auditors on their audit plans and key audit areas. The audited consolidated financial statements and the annual results announcement of the Group for the year ended 31 December 2021 had been reviewed by the audit committee before submission to the Board for adoption and approval.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The Group's consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers who has issued a standard unqualified audit opinion on these financial statements.

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2021 as set out in the announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

PUBLICATION OF ANNUAL REPORT

The full text of the Group's 2021 Annual Report will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to the Company's 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 People's Republic of China
25 March 2022

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

* *For identification purposes only*