



**BAOYE**  
Group Company Limited  
寶業集團股份有限公司

(A joint stock limited company incorporated  
in the People's Republic of China)  
(於中華人民共和國註冊成立的股份有限公司)  
Stock Code 股票代號 : 2355

Annual Report

**2021**

年報

OUR MISSION  
我們的使命

From  
**Construction to  
Manufacturing**  
從建造到  
製造

leads construction industry towards  
industrialisation in China.

帶領中國建築業走向產業化

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# CORPORATE PROFILE

## BUSINESS STRUCTURE



BAOYE GROUP COMPANY LIMITED

### CONSTRUCTION BUSINESS

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

### PROPERTY DEVELOPMENT BUSINESS

- Shaoxing "Baoye Four Seasons Garden"
- Shaoxing "Daban Green Garden"
- Shaoxing "Yunxili"
- Hangzhou "Fengyue Shangzhu"
- Lishui "Huajie Fengqing"
- Lishui "Xishan Yueyuan"
- Ningbo "Phoenix One"
- Shanghai "Baoye Active Hub"
- Shanghai "Baoye Qingchunli"
- Shanghai "Baoye Active Paradise"
- Wuhan "Xingyufu"
- Wuhan "Yuzhu Project"
- Wuhan "Yuke Project"
- Mengcheng "Binhu Green Garden"
- Mengcheng "Shidai Green Garden"
- Jieshou "Fuxing Jiayuan"
- Taihe "Yinghe Green Garden"
- Taihe "Jiangnan Fu"
- Kaifeng "Baoye Longhu Yucheng"
- Lu'an "Baoye Junyue Green Garden"
- Zhengzhou "Zhengzhou Project"
- Sixian "Sizhou Green Garden"
- Sixian "Xuefu Green Garden"
- Lu'an "Yeji Jiangnan Fu"
- Bozhou "Qinglan Green Garden"

### BUILDING MATERIALS BUSINESS

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

- Zhejiang
- Shanghai
- Hubei
- Anhui
- Henan

### BUILDING MATERIALS BUSINESS

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

Zhongtian LLP

34/F Tower A, Kingkey 100

5016 Shennan East Road

Luohu District

Shenzhen, the PRC

Post Code: 518001

## LEGAL ADVISERS

### As to Hong Kong Law

Kwok Yih & Chan

Suite 1501, 15th Floor

Bank of America Tower

12 Harcourt Road

Central, Hong Kong

### As to PRC Law

Fenxun Partners

Suite 1008, China World Tower 2

China World Trade Centre

No.1 Jianguomenwai Avenue

Beijing, PRC

Post Code: 100004

## H SHARE REGISTRAR

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

## PRINCIPAL BANKS

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

## REGISTERED ADDRESS

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

## HEADQUARTER ADDRESS

No.1687 Guazhu East Road,  
Keqiao District, Shaoxing City,  
Zhejiang Province, the PRC  
Post Code: 312030

## CORRESPONDENCE ADDRESS IN HONG KONG

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

## AUTHORISED REPRESENTATIVES

Mr. Pang Baogen  
Mr. Gao Jiming

## STOCK CODE

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## CONTACT

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## WEBSITE

[www.baoyegroup.com](http://www.baoyegroup.com)

# FINANCIAL HIGHLIGHTS

	As at/Year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
<b>Results</b>					
Revenue	<b>26,781,555</b>	25,275,453	24,799,413	23,230,614	18,978,200
Gross Profit	<b>2,145,995</b>	2,077,176	2,036,807	1,972,579	1,281,138
Net Profit	<b>885,374</b>	831,811	912,007	914,913	606,735
Profit Attributable to Owners of the Company	<b>788,477</b>	794,084	856,691	874,175	608,895
Earnings per Share (RMB)	<b>1.40</b>	1.41	1.52	1.53	1.03
<b>Assets and Liabilities</b>					
Total Assets	<b>48,915,671</b>	42,174,951	34,817,739	29,562,001	27,963,441
Total Liabilities	<b>37,566,498</b>	31,819,605	25,233,834	20,994,461	20,467,077
Total Equity	<b>11,349,173</b>	10,355,346	9,583,905	8,567,540	7,496,364

## KEY FINANCIAL RATIOS

	As at/Year ended 31 December	
	2021	2020
Return on Equity of the Company	<b>7.3%</b>	8.0%
Net Assets Value per Share (RMB yuan)	<b>19.38</b>	17.74
Net Cash Ratio	<b>49.2%</b>	44.5%
Current Ratio	<b>1.17</b>	1.23
Net Cash Inflow from Operating Activities (RMB'000)	<b>1,345,001</b>	1,876,779

## Financial Highlights

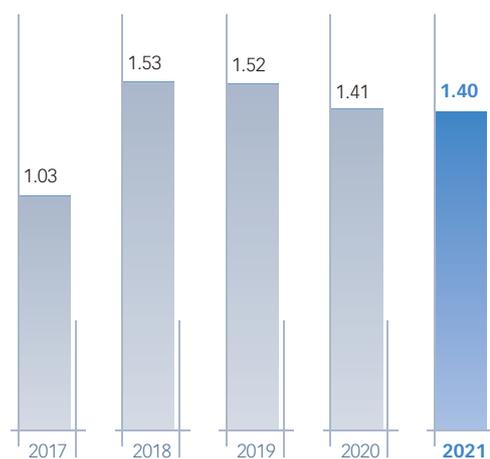
### REVENUE

(RMB million)



### EARNINGS PER SHARE

(RMB yuan)



### PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(RMB million)



### NETS ASSETS VALUE PER SHARE

(RMB yuan)



# CHAIRMAN'S STATEMENT

To the Shareholders:

On behalf of the Board, I am pleased to report the audited financial results of Baoye Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2021. For the year ended 31 December 2021, the Group achieved audited consolidated revenue of approximately RMB26,781,555,000, representing an increase of approximately 6.0% as compared to last year; profit attributable to owners of the Company amounted to approximately RMB788,477,000, relatively the same level as compared to last year; earnings per share was RMB1.40, relatively the same level as compared to the previous year. The Board proposed that no final dividends be declared for the year ended 31 December 2021. Details of operating and financial performance of the Group will be discussed in the "Management Discussion and Analysis" section of this annual report.

2021 has laid a number of memorial milestones. We celebrated the 100th anniversary of the Communist Party of China since its founding. This is a century achievement upon which the Communist Party of China has led the Chinese people to enrich its better life and has strived to preserve common prosperity. The COVID-19 epidemic is still raging around the world, seriously disrupting normal economic and social life in various parts of the world economy. Despite these adverse internal and external environment, China's economy has been able to maintain a rapid development of annual GDP growth rate at 8.1%. The epidemic prevention and control situation in Shaoying had become severe at the end of 2021. However, Baoye stepped out in public without hesitation and carried the heavy burden when the country and the people called for it. After rushing thousands of miles to build Wuhan mobile cabin hospital in 2020, Baoye once again quickly assembled a construction team led by the executive directors, raised construction materials by ourselves, and completed the construction of more than 80,000 square meters of isolation wards within a short period of time. Once again, Baoye positioned its image as a responsible non-state owned corporation.

In 2021, the domestic real estate control policy continued to adhere to the policy of "residential housing is for living, not for speculation". Additionally, a series of stringent policies such as the "three red lines" for real estate development enterprises (i.e. i). The asset-liability ratio after excluding advance receipts should not exceed 70%; ii). The net debt ratio should not exceed 100%; iii). The ratio of cash to short-term debt should not be less than 1.), the "two red lines" of commercial banks' real estate loans (the Central Bank and the China Banking and Insurance Regulatory Commission's restrictive regulations on the proportion of different types of commercial banks' real estate loans and personal housing loans), and the "two centralized land supply" (centralized issuance of land transfer announcements and centralized organization on transfer activities) has profoundly changed and reshaped China's real estate industry. Affected by the imposition of various restrictions on financing of home purchases and the weakening confidence of customers, many "radical" real estate companies, whose market value were more than hundreds of billions yuan, have been "exploded". As a result of which, the entire real estate industry and many companies in various industries such as construction, building materials, and decoration related to the real estate industry have encountered unprecedented downward pressure and difficulties, and certain enterprises have been evolved in the state of affairs encompassing life and death. The Group has always adhered to the development concept of steady growth and prudent operation management, always value the importance of project quality, and assessed and controlled project risks in advance. Hence, these similar adverse effects against the Group caused by this "explosion" on these real estate "giants" were brought under control. Judging from our annual results, the Group still achieved the development goal in a steady pace. When undertaking construction business, the Group always paid attention to project quality, assessed project risks in advance, and at the same time continuously enlarged the proportion of business in the field of public construction, which brought us a stronger risk-resistance capability and constantly optimized our business quality and portfolio.

## Chairman's Statement

For the real estate industry, we firmly believe that the real estate industry will eventually return to its attributes of people's livelihood. If the current real estate industry is facing a painful transformation, we are more than willing to accept the fact that this is a process of returning to its very nature, which will also let all participants focusing on the living attributes of housing rather than its financial attributes. Baoye always insists on quality as first priority, and always insists on providing "higher dimension" residential products for the market. Under the severe market environment, Shaoxing's "Daban Lvyan" project still achieved good sales results, which is the market's accreditation of Baoye Real Estate's in the consistence pursuit of healthy and green technology residential housing. The 2022 Government's Work Report proposes to continue to ensure the housing needs for the general public at-large, adhere to the

policy that "residential housing is for living in, not for speculation", explores new development models, insists on both renting and purchasing, accelerates the development of the long-term rental market, promotes the construction of affordable housing, and supports the commercial housing market to better meet the reasonable housing needs of buyers, by stabilizing land prices, housing prices and expectations, and implementing city-specific policies to promote a fine-tuned operating cycle and healthy development for the real estate industry. We believe corrections to the industry will continue to erode. In the future, policies



## Chairman's Statement

and markets will afford more development rooms for able enterprises that would possess financial healthy and product quality. The development model of real estate enterprises will also return to stable operation and refined management. The Group will continue to build green and livable century-lasting residences with ingenuity as always. With sound financial capability and prudent investment philosophy, the Group will continue to leverage the advantages of the Group's entire industry supply chain and forge ahead in building people's fortunate and happy lives.

Baoye has a number of core competitive advantages in the fields of construction, real estate development, and construction industrialization. Facing new opportunities and challenges, Baoye will continue to adhere to the operating principle that "healthy growth is more important than good performance", focus on key tasks such as quality and safety control, "enterprise physical examination" audit, financial management and cost control, key projects and Investment projects, ideological values and performance evaluation. At the same time, Baoye will unswervingly follow the "technology, industry and trade" route, spearhead the priority to the research and development and application of construction technology, underpin its leading advantages in the field of construction industrialization, and continue to maintain a leading position in the field of construction industrialization cluster manufacturing and building energy conservation and emission reduction. We will closely focus on the government's requirements for non-state owned enterprises to be "professional, refined, specialized and creative", enrich Baoye's "Century-lasting House" brand and comprehensive Q-value index research on building energy conservation, and make full use of the Baoye National Building Energy Consumption and Carbon Emission Research Institute together with platforms such as the Yangtze River Delta Sustainable Development Institute Building Carbon Neutral Research Center jointly established with Tongji University, and constantly study and identify new problems and new situations in the industry, lead the market with high-dimensional building energy-saving



products. We will actively integrate ourselves into the new national strategy and development stage of "carbon-emission peak and carbon-emission neutral", and maintain stable development.

The Company shall adopt the implementation of "carbon-emission peak and carbon-emission neutral" development concept, and integrate the spirit of carbon reductions into the Company's three core businesses. The Group has published its first environmental, social and governance report since 2016. We employ professional third-party agencies to help to disclose qualitative and quantitative indicators that meet industry characteristics in a more detailed manner. In



corporate governance, climate change is integrated into governance responsibilities. The Group is dedicated to preserve its longstanding operational philosophy in providing and disclosing transparent information that would bring our business partners in sync with our corporate direction. Fulfilling social responsibilities is the requirement of the times for the enterprise acting as a responsible corporate citizen, and is also the due meaning of the enterprise's true values. The Group has taken various activities and steps towards its responsibility for environment and society, details of which are shown on the "Environmental, Social and Governance Report 2021" published at the same day.

### APPRECIATION

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

**Mr. Pang Baogen**

*Chairman of the Board*

25 March 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 compared to 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

## Management Discussion and Analysis

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%
<b>Total</b>	<b>26,781,555</b>	<b>100%</b>	<b>25,275,453</b>	<b>100%</b>	<b>6%</b>

### 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%
<b>Total</b>	<b>1,345,859</b>	<b>100%</b>	<b>1,392,329</b>	<b>100%</b>	<b>-3%</b>

### Operating profit margin

	For the year ended 31 December		Change
	2021	2020	
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%

## Management Discussion and Analysis

### 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 continues 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 Chengtou 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.

## Management Discussion and Analysis

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
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

## Management Discussion and Analysis

### 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	Floor Areas	Revenue (RMB'000)
		Selling Price (RMB/Sqm)	Sold (Sqms)	
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 contract sales 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.

## Management Discussion and Analysis

### 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%
Xishan Yueyuan	Lishui	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%

## Management Discussion and Analysis

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.

## Management Discussion and Analysis

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.

## Management Discussion and Analysis

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 bidded 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 May 2019. 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.

## Management Discussion and Analysis

### 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	<b>1,333,782</b>	<b>57%</b>	1,094,197	44%	22%
Ready-mixed Concrete	<b>171,188</b>	<b>7%</b>	839,222	34%	-80%
Furnishings and Interior Decorations	<b>228,152</b>	<b>10%</b>	109,073	4%	109%
Wooden Products and Fireproof Materials	<b>102,222</b>	<b>4%</b>	81,359	4%	26%
PC assembly plate	<b>268,585</b>	<b>12%</b>	160,649	6%	67%
Steel structure	<b>27,575</b>	<b>1%</b>	30,792	1%	-10%
Others	<b>207,461</b>	<b>9%</b>	171,114	7%	21%
Total	<b>2,338,965</b>	<b>100%</b>	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 "expand 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.

## Management Discussion and Analysis

### **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.

## Management Discussion and Analysis

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital 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
	RMB'000	RMB'000
Cash and cash equivalents	<b>7,813,911</b>	7,261,532
Term deposits with initial term of over three months	<b>318,452</b>	282,157
Restricted bank deposits	<b>1,263,180</b>	1,553,935
Less: total borrowings	<b>(4,052,346)</b>	(4,653,855)
Net cash	<b>5,343,197</b>	4,443,769
Total equity attributable to the owners of the Company	<b>10,866,213</b>	9,979,693
Net cash ratio	<b>49.2%</b>	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	<b>7.3%</b>	8%
Net assets value per share (RMB yuan)	<b>19.38</b>	17.74
Current ratio	<b>1.17</b>	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

## Management Discussion and Analysis

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

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

## Management Discussion and Analysis

### 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, and as a result, 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	<b>2,330,144</b>	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.

# CORPORATE GOVERNANCE REPORT

The Group is committed to establishing an efficient, orderly, transparent and steady corporate governance mechanism. Since its listing, the Company strives to comply with the Company Law of the PRC (“Company Law”), the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchanges of Hong Kong Limited (“the Stock Exchange”), the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”), where appropriate, adopted the recommended best practices set out in the CG Code, and other relevant laws and regulations and will regularly review the corporate management activities to enhance corporate value so as to ensure a sustainable development of the Company.

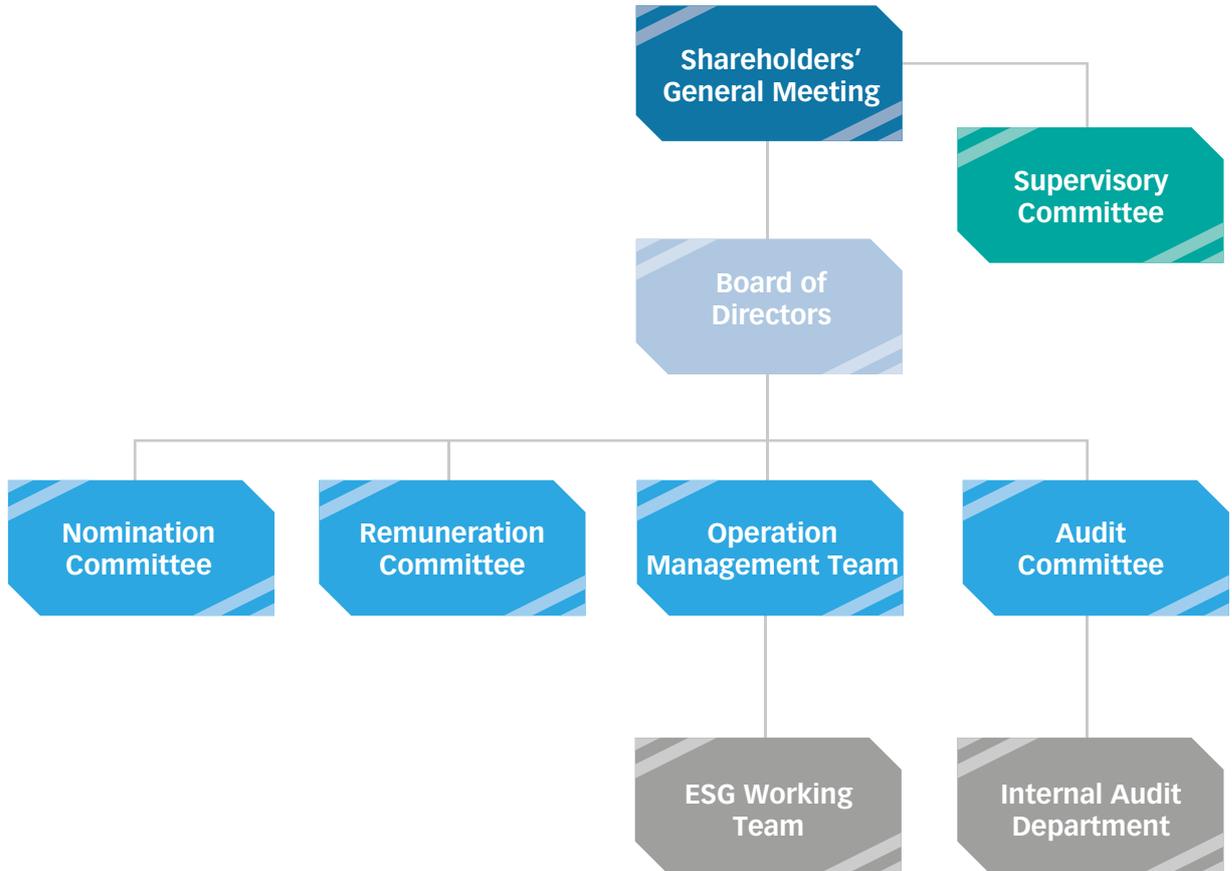
## CORPORATE GOVERNANCE CODE

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.

## CORPORATE GOVERNANCE STRUCTURE



## Corporate Governance Report

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2021.

### **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.

### **BOARD OF DIRECTORS (THE "DIRECTOR")**

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

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

The Board has also established an ESG Working Team under the Operation Management Team, which is responsible for the follow-up and implementation of the Group's ESG work, and further strengthens the systematic and standardized management of ESG work. The Board shall formulate the Group's ESG management policies, strategies, priorities and objectives ensure that appropriate and effective ESG management and internal control systems are in place, assess and determine the Group's ESG-related risks and opportunities, and approve the disclosure material in the Group's ESG report. The ESG working group is responsible for implementing the Board's policies, objectives and related ESG work, and coordinating the communication and information disclosure with the Group's ESG stakeholders.

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

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advices. The Board is of the view that there is a balanced composition of executive, non-executive and

independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the Group and its Shareholders. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgment on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct. The Board members have access to timely information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions. Independent professional advice can be sought to discharge their duties at the Group's expense upon their request. No such advice was sought during 2021.

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

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. Having made specific enquiries with each Director, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2021.

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

Besides the roles of chairman and chief executive officer was performed by Mr. Pang Baogen, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) among the Directors. Brief biographical details of the Directors are set out on pages 48 to 50 of the annual report.

### **BOARD DIVERSITY**

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

The remunerations of each of the Directors of the Company are disclosed on an individual basis, details of which are set out in note 40 to the consolidated financial statements.

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

	2021 Number of Individuals	2020 Number of individuals
Below RMB650,000	4	4

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

### BOARD MEETING

The Board held a total of four Board meetings during the year, discussed and approved the 2020 annual report, 2021 interim report and the work report of internal audit department; appointed PricewaterhouseCoopers as the independent auditor of the Company. The attendance

of each of the Directors is set out in the table below. The relevant senior management and members of the Supervisory committee of the Group had all attended the Board meetings held during the year. Directors received the notice of Board meeting at least 14 days before the date on which Board meeting was held and all of the Directors are offered opportunities to suggest any issue for discussion included in meeting agenda. All the minutes of Board meetings are filed and accessible to all Directors at any time.

### ATTENDANCE OF BOARD MEETING IN 2021

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

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company's number of independent non-executive Directors has complied with the Rule of 3.10 and 3.10A of the Listing Rules. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders.

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

### **DIRECTORS' TRAINING AND DEVELOPMENT**

Pursuant to the Appendix 14 to the Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The directors' training is a continuous project. The Company invited different professional teams regularly to provide trainings for the Directors about relevant regulations and rules, marketing environment and/or the newest changes of the industry development. During the year ended 31 December 2021, the directors, supervisors and

senior management have developed their knowledge of directors' duties and risks. Besides, some Directors have also attended lessons in relation to Directors' roles, functions and duties, as well as strengthen their professional development by reading some related information or attending professional training sessions on their own. The Directors confirmed that they have complied with the Code Provision C.1.4 of the CG Code.

### **ACCOUNTABILITY AND AUDIT**

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

In preparing the financial statements for the year ended 31 December 2021, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

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

### **RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

In order to enhance our risk management and internal control, a guiding team under the leadership of the Board and comprising the Audit Committee, administrative management and external and internal audit teams for risk management and internal control has been established to carry out relevant works. A three-line-defense system for risk management and internal control has been put in place: namely frontline defense in business operation, functional centralised defense in internal control and regulatory departments, and the independent oversight defense in the internal

audit department. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time. An internal audit function is established to review and evaluate the Group's risk management and internal control systems and report directly to the Board and members of the audit committee (the "Audit Committee").

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

The Board performs the duty of reviewing the interim and annual results with the Audit Committee, the management of the Group, the internal audit function and external independent auditors in accordance with the protocol, and conducts a review and assessment of the effectiveness of the Group's risk management and internal control systems and procedures at least annually. The internal audit department of the Group carried out independent assessment on the risk management and internal control systems of the Group. The Board believes that the existing risk management and internal control systems are adequate and effective for the year ended 31 December 2021. The Board also reviewed the resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training programs and budget and was satisfied with their adequacy.

The Board with the concurrence of the Audit Committee reviews the risks to the Company and acts upon any comments from the internal audit function and external auditors. Key risks, control measures and management actions are continually identified, reviewed and monitored by the management as part of risk management systems. The management has established a risk identification and management process. The risk assessment report is reported to the Audit Committee and the Board on a regular basis to

highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigatory controls supporting the residual risks. The risk management systems of the Group are continually being monitored and refined by the Audit Committee and the Board. The Board has received assurance from the CEO and the management of the Group regarding the effectiveness of the risk management systems of the Group.

### AUDITOR'S REMUNERATION

The remuneration of the auditors in the year 2021 is set out as follows:

	2021		2020	
	Audit fees	Other fees	Audit fees	Other fees
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PricewaterhouseCoopers	3,950	120	3,950	400

### BOARD COMMITTEES

The Board has established three board committees, namely, Audit Committee, Nomination Committee and Remuneration Committee to strengthen its functions and corporate governance rules. The Audit Committee, Nomination Committee and Remuneration Committee perform their specific duties in accordance with their respective written terms of reference.

### AUDIT COMMITTEE

The audit committee of the Company consists of two independent non-executive Directors, namely, Mr. Chan, Dennis Yin Ming and Mr. Li Wangrong, and one non-executive Director, Mr. Fung Ching, Simon, with Mr. Chan, Dennis Yin Ming as the chairman of the audit committee.

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

## Corporate Governance Report

recommendations to the Board. The audit committee has established a whistle blowing policy and system. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange. The audit committee of the Company held two meetings during the year of 2021.

The major tasks accomplished during the year include:

- reviewing the annual and interim results announcement, reports and financial statements of the Group;
- reviewing and providing recommendations on the accounting policies adopted by the Group and the accounting practice issues;
- monitoring the work of the internal audit department of the Group and reviewing the reports submitted by it;
- advising on the material transactions of the Group and providing recommendations on related risks to management;
- reviewing the audit fees of auditors and recommending the fees for approval by the Board; and
- reviewing the risk management and internal control systems of the Group.

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

## ATTENDANCE OF THE MEETING OF THE AUDIT COMMITTEE IN 2021

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

## REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive Directors, namely, Mr. Chan, Dennis Yin Ming and Ms. Liang Jing, and one executive Director, namely, Mr. Pang Baogen, with Mr. Chan, Dennis Yin Ming as the chairman of the remuneration committee.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors, Supervisors and senior management of the Company, to review and approve the management's remuneration recommendation according to the Board's policy and target. To take the market forces and comparable industries into consideration when determining the remuneration packages of the Directors, Supervisors and senior management of the Company. The terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange. The remuneration committee of the Company held one meeting during the year of 2021.

The major tasks accomplished during the year include:

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

### ATTENDANCE OF THE MEETING OF THE REMUNERATION COMMITTEE IN 2021

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

### NOMINATION COMMITTEE

The nomination committee comprises two independent non-executive Directors, namely, Mr. Li Wangrong and Ms. LiangJing, and one executive Director, namely, Mr. Gao Jiming, with Mr. Li Wangrong as the chairman of the nomination committee.

The main duties of the Nomination Committee are to review the structure, size and composition of the Board of Directors on a regular basis, to makes recommendations to the board regarding any proposed changes and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive directors and providing recommendations to the Board of Directors on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and supervisors. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange. The nomination committee held one meeting in 2021.

The major tasks accomplished during the year include:

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

## ATTENDANCE OF THE MEETING OF THE NOMINATION COMMITTEE IN 2021

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

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

### Procedure for nomination of Directors

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

### Criteria for nomination of Directors

#### Common criteria for all Directors

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

- Ability to objectively analyse complex business problems and exercise sound business judgment;
- Ability and willingness to contribute special competencies to Board activities; and
- Fit with the Company's culture.

**Criteria applicable to Independent Non-executive Directors**

- Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings;
- Accomplishments of the candidate in his/her field;
- Outstanding professional and personal reputation; and
- The candidate's ability to meet the independence criteria for directors established in the Listing Rules.

**DIRECTORS RESPONSIBILITY ON THE FINANCIAL STATEMENTS**

The Directors of the Company acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2021, which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibilities of the external auditors on the financial statements are set out in the Independent Auditor's Report on pages 65 to 170 of the annual report.

**CORPORATE GOVERNANCE FUNCTIONS**

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

- to develop and review the Company's policies and practices on ESG and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to Directors and employees;

## Corporate Governance Report

- to review the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

### COMPANY SECRETARY

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

### SHAREHOLDERS’ MEETING

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

### ATTENDANCE OF SHAREHOLDERS’ MEETING AND CLASS MEETINGS IN 2021

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

### SHAREHOLDERS’ RIGHTS

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

the requisition by the board. Any reasonable expenses incurred by the requisitions by reason of the failure of the board to duly convene a meeting shall be repaid to the shareholders by the Company.

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

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

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

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

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

The headquarter address of the Company is as follows:

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

### **DIVIDEND POLICY**

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

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

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

- a. financial results;
- b. cash flow situation;
- c. business conditions and strategies;

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- d. future operations and earnings;
- e. capital requirements and expenditure plans;
- f. interests of shareholders;
- g. any restrictions on payment of dividends; and
- h. any other factors that the Board may consider relevant.

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

- a. during the growth phase of the Group or during significant expansion or undertaking of any acquisitions or joint ventures requiring higher allocation of capital;
- b. whenever the Company proposes or plans to utilize surplus cash to repurchase the shares of the Company; or
- c. inadequacy of profits or if the Company incurs losses.

The Dividend Policy and the declaration and/or payment of future dividends under it are subject to the Board's continuing determination that the Dividend Policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders, and are in compliance with all applicable laws and regulations and the Company's Memorandum and Articles of Association. The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the Dividend Policy and reserves the right in its

sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

### CONTROLS MECHANISM

#### Supervisory Committee

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

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

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

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

The Supervisory Committee convened two meetings during the year and all of the Supervisors attended the meetings. The Supervisory Committee has also attended the board meetings held in the year of 2021. The Supervisory Committee has also adopted the Model Code in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the Supervisors. Having made specific enquiries with each Supervisor, all Supervisors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2021.

### **INTERNAL AUDIT**

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

# INVESTOR RELATIONS

The Company believed that it'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. In order to obtain more information from its investors and the potential investors, the Company has investor relations department, endeavoring to interact with its shareholders, investors, analysts, investment banks and financial medias and release the latest announcement, circular, interim report and annual report, as well as the Company's newsletters.

## SUBSTANTIAL SHAREHOLDERS OF H SHARES

As at 31 December 2021, so far as was known to the Directors, the following persons, other than Directors, Supervisors and senior management of the Company, have an interest in the shares of the Company as recorded in the register required to be kept under the Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Number of H Shares of the Company Held (Long Position)	Approximate Percentage of the Total Issued H Shares of the Company	Approximate Percentage of the Total Registered Share Capital of the Company
Wu Xueqin	29,304,000	13.96%	5.23%
Zhu Yicai (Note 1)	29,304,000	13.96%	5.23%

Note:

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

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

## IMPORTANT FINANCIAL DATES

Events	Date
Issued Interim Results Announcement of 2021	On 27 August 2021
Issued Annual Results Announcement of 2021	On 25 March 2022
Closure of register of member of the Company	On 13 May 2021 to 14 June 2022 (both days inclusive)
Annual General Meeting of 2021	On 14 June 2022
Class meeting for holders of H Shares	On 14 June 2022
Class meeting for holders of Domestic Shares	On 14 June 2022

The annual general meeting of the company (“AGM”) was held at 2nd Floor, Baoye Group, No.1687 Guazhu East Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC on 11 June 2021. All the resolutions were passed by the shareholders in voting. The details of the resolutions and results please refer to the results of AGM on 11 June 2021. All the Directors attended this AGM.

## CHANGE OF REGISTERED ADDRESS NAME

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

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

## ARTICLES OF ASSOCIATION

Given that the Company has cancelled the repurchased 2,030,000 H shares on 22 June 2021, the Company has correspondingly reduced its registered capital and amended certain provisions of the articles of association to reflect such changes, such amended changes were approved by the relevant governing authorities. And in light of registered address name change caused by the administrative adjustment, the State Council Reply to Adjustment of Regulations of the Notice Period for Convening Shareholders Meetings of Overseas-listed Companies promoted by China Securities Regulatory Commission, and the amendments to the Company Law which took effect on 26 October 2018, and after taking into consideration of the actual situation and the practice of corporate governance of the Company, the Board proposed to amend the Articles at the Board meeting held on 26 March 2021. The consolidated conformed version of new Articles of Association was approved and adopted by shareholders at the annual general meeting on 11 June 2021. An updated consolidated version of the New Articles of Association of the Company is available on the websites of the Company and the Stock Exchange.

# BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. Pang Baogen**, born in 1957, is the founder of the Company, the chairman of the Board and chief executive officer of the Group. Mr. Pang is an expert who has the special award of the State Council and is a member of the expert committee for the China Construction Reform and Development under the Ministry of Housing and Urban-Rural Development of the People's Republic of China. He holds senior engineer qualification. He is well respected and recognised in the construction industry in China and has received awards including Model Worker of National Construction System, Advanced Individual of National Sustainable Communities, Outstanding Entrepreneur in Zhejiang Province, Youth Scientific and Technical Worker with Outstanding Contributions to Zhejiang Province, Entrepreneur with Outstanding Contributions to the Construction Industry in Zhejiang Province in the "Eleventh Five-year" Period, Award of Commercialization of Science in Zhejiang Province as well as Zhejiang Charity Award and Zhejiang Charity Star. Mr. Pang has extensive experience in the construction technology field and of enterprise management. He actively promotes independent innovation, and takes on national topics such as "risk-prevention in big projects", "transforming the construction industry with information technology" and "the system research of one-hundred-year construction in China" and the "Analysis of Comprehensive Efficiency of Housing Industrialization". At the same time, he guides the Group in undergoing various revolutions in management controls and operation mechanism. He also explores and executes the "three-in-one" business model and the contractual management model. Besides, Mr. Pang is also the vice-chairman of the China Construction Companies Management Committee, vice-chairman of China Construction Energy Conservation Association, the vice-chairman of Zhejiang Agricultural Technology Promotion Foundation, the representative of the 11th, 12th and 13th People's Representative Congress of Zhejiang Province and the dean of the National Construction Engineering Technology Research Center and Institute of Construction and Housing Industrialisation.

**Mr. Gao Lin**, born in 1970, is an executive Director and the director of the operation management committee of the Company, a director and the general manager of Baoye Hubei Construction Group Company Limited. Mr. Gao holds bachelor degree and senior engineer qualification. He is also a senior professional manager of the construction industry in China. He was awarded a celebrity in the national important infrastructure construction and a celebrity of the 9th Hubei Economic Year, the National Excellent Construction Entrepreneur, the National Outstanding Entrepreneur, apprentice of Luban, the Top 10 Outstanding Entrepreneurs of Construction Industry in Zhejiang Province, Outstanding Entrepreneur in Hubei Province, Outstanding builders of socialism with Chinese characteristics in Hubei Province, Model Worker of Hubei Province, Outstanding businessman in Hubei Province, Outstanding Youth in Hubei Province, Talent for Economic Development of Shaoxing City, Model Worker of Shaoxing City. He is currently the vice chairman of the Federation of Industry and Commerce in Hubei Province, the vice chairman of the Hubei Enterprises Union, and vice-chairman of Construction Industry Association in Hubei, the vice chairman of Wuhan Construction Industry Association, Member of the 12th Committee of the CPPCC of Hubei Province, and representative of the 15th People's Representative Congress of Wuchang District, Wuhan City. He joined the Group in 1987.

**Mr. Gao Jiming**, born in 1962, is an executive director of the Company. Mr. Gao is a graduate of the China University of Geosciences, majoring in civil engineering and holds a senior engineer qualification. He was awarded outstanding entrepreneur in Hubei province. He joined the Group in 1978.

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Gao Jun**, born in 1972, is an executive director and a member of the operation management committee of the Company, and the general manager of Baoye Group Anhui Company Limited. Mr. Gao graduated from the China University of Geosciences, majoring in civil engineering, and holds senior engineer qualification. Mr. Gao is currently a representative of the 17th People's Representative Congress of Hefei City, the chairman of Zhejiang Enterprises Union in Anhui, standing member of Anhui Industry and Commerce Federation and the vice chairman of Hefei Industry and Commerce Federation. Mr. Gao was awarded the Model Worker of Anhui province. He joined the Group in 1989.

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

### Non-executive Directors

**Mr. Fung Ching, Simon**, born in 1969, is a non-executive Director and a member of audit committee of the Company and is currently the chief financial officer of Chow Tai Fook Enterprises Limited. He is also the independent non-executive director of Hainan Meilan International Airport Company Limited (Stock Code: 00357.HK), China Medical System Holdings Limited (Stock Code: 00867.HK). Both companies are listed on the main board of HKEx. Mr. Fung graduated from the Queensland University of Technology in Australia with a Bachelor's degree, majoring in accountancy. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the CPA Australia. Mr. Fung served as the independent non-executive director of China Logistics Property Holdings Co., Ltd (a company listed on the main board of HKEx, Stock Code: 01589.HK) from June 2016 to February 2022, and served as the chief financial officer of Logan Group Company Limited (a company listed on the main board of HKEx, Stock Code: 03380.HK) from January 2020 to March 2021, and served as the chief financial officer and company secretary of Greentown China Holdings Limited (a company listed on the main board of HKEx.: Stock Code: 03900.HK) from 2010 to 2019, and served as the chief financial officer and secretary to the Board of Directors of Baoye Group from 2004 to 2010. He worked for PricewaterhouseCoopers from 1994 to 2004. Mr. Fung has over 18 years of experience in managing finance and accounting functions, mergers and acquisitions, fund raising and investor relations for various listed companies in Hong Kong.

## Biographical Details of Directors, Supervisors and Senior Management

### Independent Non-executive Directors

**Mr. Chan, Dennis Yin Ming**, born in 1954, a Canadian living in Hong Kong, is an independent non-executive Director, chairman of audit committee and remuneration committee of the Company. Mr. Chan is a graduate of the John Molson School of Business of Concordia University, Canada and has obtained a professional diploma in accountancy from the McGill University, Canada. Mr. Chan is an associate member of the Chartered Institute of Management Accountants, United Kingdom (ACMA), an associate member of the Chartered Governance Institute, United Kingdom and Hong Kong (AGS), a member of Chartered Institute of Purchasing and Supply, United Kingdom (MCIPS) and a member of Chartered Professional Accountant (CPA) and Chartered Accountants (CA) of Canada. Mr. Chan is currently director and chief executive officer of Standard Corporate Advisory Limited, and a director and chief operating officer of 2GoTrade Limited group of companies. Prior to that, Mr. Chan had been director and chief financial officer of various listed companies in Hong Kong, Singapore and the United States of America. Mr. Chan has more than 45 years of experience in public accountancy, management consultancy, manufacturing, distribution and retails, telecommunications, logistics and financial services.

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

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

### SUPERVISORS

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

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

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

## Biographical Details of Directors, Supervisors and Senior Management

### INDEPENDENT SUPERVISORS

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

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

### SENIOR MANAGEMENT

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

**Mr. Lou Zhonghua**, born in 1968, is a member of the operation management committee of the Company. Mr. Lou graduated from the China University of Geosciences, majoring in civil engineering and holds a senior engineer qualification. Mr. Lou joined the Group in 1986.

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

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

# DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of construction service, development and sale of properties and manufacture and distribution of industrialised building materials. The activities of the Company's principal subsidiaries are set out in note 10 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## BUSINESS REVIEW

The business review of the Group for the Year is set out in the sections of Financial Highlight for the proceeding five years, Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report 2021 which will be published on the same date, and the paragraphs below.

## FINANCIAL POSITIONS AND RESULTS

The financial positions of the Group and the Company as at 31 December 2021 are set out in the balance sheets of the consolidated financial statements prepared in accordance with HKFRS on pages 72 to 73.

The results of the Group for the year ended 31 December 2021 prepared in accordance with HKFRS are set out in the consolidated income statement on page 74.

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

## RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the note 21 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

According to the relevant laws and regulations in the PRC, the reserves of the Company available for distribution to the equity holders amounted to RMB1,032,966,000 as at 31 December 2021 (2020: RMB850,975,000).

## DIVIDENDS

At the board meeting held on 25 March 2022, the Board proposed no final dividend be declared for the year ended 31 December 2021 (2020: nil).

## SEGMENT INFORMATION

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

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

The segment information for the year ended 31 December 2021 is set out in note 5 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

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

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

## PROPERTY, PLANT AND EQUIPMENT

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

## CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions a total of approximately RMB3,274,000 (2020: RMB7,825,000).

## BORROWINGS

As at 31 December 2021, details of borrowings of the Group are set in the note 24 to the consolidated financial statements.

## Directors' Report

### **DIRECTORS AND SUPERVISORS**

The Directors and Supervisors of the Company for 2021 are as follows:

#### **Directors**

##### *Executive Directors*

Mr. Pang Baogen (*Chairman of the Board*)

Mr. Gao Lin

Mr. Gao Jiming

Mr. Gao Jun

Mr. Jin Jixiang

##### *Non-executive Director*

Mr. Fung Ching, Simon

##### *Independent Non-executive Directors*

Mr. Chan, Dennis Yin Ming

Mr. Li Wangrong

Ms. Liang Jing

#### **Supervisors**

##### *Supervisors*

Mr. Kong Xiangquan (*Chairman of the Supervisory Committee*)

Mr. Wang Jianguo

Mr. Xu Gang

##### *Independent Supervisors*

Mr. Zhang Xindao

Mr. Xiao Jianmu

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

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

## **BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

Brief biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 48 to 51 of the annual report.

## **REMUNERATION OF DIRECTORS**

The remuneration of the Directors of the Company is disclosed on an individual named basis in note 40 to the consolidated financial statements.

## **HIGHEST PAID INDIVIDUALS**

During the year, details of the remuneration of the Directors, supervisors and chief executive, together with those of the five highest paid individuals (all of them are Directors of the Company) of the Group are set out in note 40 to the consolidated financial statements of the Group.

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

## **INDEMNITY OF DIRECTORS**

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

## **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

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

## **EQUITY-LINKED AGREEMENTS**

For the year ended 31 December 2021, the Company did not entered into any equity-linked agreement.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

## Directors' Report

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

At the end of the reporting period, the interests and short positions of Directors, Supervisors, chief executive and senior management of the Company and any of the associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO"), which are required to be (i) notified to the Company and HKEx pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and HKEx pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

Directors/Supervisors/ Senior Management	Relevant Entity	Capacity	Number of Domestic Shares (Long position)	Number of H Shares (Long position)	Approximate Percentage of the Total Registered Capital of the Relevant Entity
<b>Directors</b>					
Mr. Pang Baogen	The Company	Individual	193,753,054		34.56%
Mr. Gao Jiming	The Company	Individual	12,059,254	–	2.15%
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	–	0.44%
<b>Supervisors</b>					
Mr. Wang Jianguo	The Company	Individual	5,250,290	–	0.94%
Mr. Wang Jianguo	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	42,700,001		16.94%
Mr. Xu Gang	The Company	Individual	18,407,116	–	3.28%
<b>Senior Management</b>					
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' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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

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

## INTERESTS OF DIRECTORS IN COMPETING BUSINESS

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

## DETAILS OF SHARE OFFERING AND PLACING

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

## FUNDS RAISED AND DIVIDEND

Year	Funds Raised (HKD)	Dividend (RMB/share)	Total Dividend (RMB)	Full-Year Earnings (RMB)	Approximate Percentage of Full-year Earnings (%)
2003	258,370,000	0.0635	33,746,000	112,409,000	30%
2004	/	0.1436	81,502,000	275,082,000	30%
2005	356,660,000	0.12	73,311,000	304,226,000	24%
2006	/	0.07	46,407,000	474,032,000	10%
2007	566,160,000	0.07	46,407,000	225,795,000	21%
2008	/	0.08	53,037,000	150,044,000	35%
2009	/	0.13	86,185,000	502,239,000	17%
2010	/	0.16	106,074,240	527,875,000	20%
2011	/	0.21	139,222,000	710,196,000	20%
2012	/	0.21	139,222,000	752,256,000	18.5%
2013	/	0.10	66,296,401	663,312,000	10%
2014	/	0.10	63,174,401	648,702,000	9.7%
2015	/	0.10	61,237,053	563,655,000	10.9%
2016	/	/	/	526,933,000	/
2017	/	/	/	608,895,000	/
2018	/	/	/	874,175,000	/
2019	/	/	/	856,691,000	/
2020	/	/	/	794,084,000	/
2021	/	/	/	788,477,000	/
<b>Total</b>	<b>1,181,190,000</b>		<b>995,821,095</b>		

## SHARE CAPITAL

At the date of the reporting period, there was a total share capital of 560,634,053 shares of the Company in issue, which includes:

	Number of shares	Approximate percentage of total share capital
Domestic Shares	350,742,053	62.56%
H Shares	209,892,000	37.44%
Total	560,634,053	100%

## 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).

## Directors' Report

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	4,962,000			21,184,740	

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.

### PUBLIC FLOAT

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

### CONNECTED TRANSACTIONS

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

Details of related party transactions entered into by the Group during the year ended 31 December 2021 were disclosed in note 37 to the consolidated financial statements. The Board considers the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which be required to comply with the disclosure requirements in according with Chapter 14A of the Listing Rules.

### CONTINGENT LIABILITIES

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

## **MATERIAL ACQUISITIONS 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 17 May 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.

## **PRE-EMPTIVE RIGHTS**

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

## **LITIGATION AND ARBITRATION**

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

## **ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS**

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

## **HUMAN RESOURCES**

As at 31 December 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.

## Directors' Report

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

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

According to the Listing Rules, an issuer must disclose Environmental, Social and Governance (“ESG”) information on an annual basis. The board is responsible for evaluating and determining the issuer’s ESG-related risks and has overall responsibility for the report. In April 2022, the “Environmental, Social and Governance Report 2021” will be published at the stock Exchange and the company’s website.

### **AUDITORS**

The re-appointment of PricewaterhouseCoopers (the “PwC Hong Kong”) as the Company’s international auditor and the re-appointment of PricewaterhouseCoopers Zhongtian LLP (the “PwC ZT”) as the Company’s PRC statutory auditor were approved at the annual general meeting held on 11 June 2021.

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

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 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.

## APPRECIATION

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

By Order of the Board

**Baoye Group Company Limited**

**Pang Baogen**

*Chairman*

Zhejiang, the PRC

25 March 2022

# SUPERVISORS' REPORT

To the Shareholders,

In the year 2021, the Supervisory Committee of Baoye Group Company Limited (the "Supervisory Committee"), in compliance with the provision of the Company Law, the Listing Rules and the articles of association of the Company, under their fiduciary duties, took an active role to work reasonably and cautiously to protect the interests of the Company and its shareholders.

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

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

The Supervisory Committee is satisfied with the achieved operating results and cost-effectiveness of the Company in 2021 and has great confidence in the future of the Company.

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

By Order of the Supervisory Committee

**Baoye Group Company Limited**

**Kong Xiangquan**

*Chairman*

Zhejiang, the PRC

25 March 2022

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

## To the shareholders of Baoye Group Company Limited

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

### OPINION

#### What we have audited

The consolidated financial statements of Baoye Group Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 72 to 170, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

## Independent Auditor's Report

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

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

### Independence

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

### KEY AUDIT MATTERS

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

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

- Recognition of revenue from provision of construction services
- Impairment loss on trade receivables

### Key audit matter

### How our audit addressed the key audit matter

#### **Recognition of revenue from provision of construction services**

Refer to Note 2.26(i) "Revenue from contracts with customers", Note 4 "Critical accounting estimates and judgments" and Note 5 "Segment information" to the consolidated financial statements.

Revenue from provision of construction services for the year ended 31 December 2021 amounted to RMB21,640,032,000, representing approximately 81% of the Group's total revenue.

For construction services contracts, the Group recognises revenue over time by reference to the progress towards complete satisfaction of performance obligation which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each construction contract.

We focused on this area as the revenue from provision of construction services was material and the determining of the total costs of construction contracts and the related revenue involved significant judgments and estimates made by management, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of revenue from provision of construction services is considered significant due to uncertainty of significant assumptions used.

We have performed the following procedures to address this key audit matter:

- (i) Understood, evaluated and validated the internal controls over the recognition of revenue from provision of construction services and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.
- (ii) Discussed with management the variance between the actual final costs and the estimated costs for contracts completed during the year to assess the reliability of management's estimation.
- (iii) Tested the actual costs incurred in relation to construction contracts by tracing to the supporting documents, such as invoices received from suppliers, on a sample basis.
- (iv) Challenged the reasonableness of the gross profit margin of material construction contracts with benchmark based on our industry knowledge.
- (v) Checked the contract price to original construction contracts and, if applicable, variation orders.

We found that the significant judgments and estimates made by management in determining the total costs of construction contracts and the related revenue were supported by available evidence.

## Independent Auditor's Report

### Key audit matter

### How our audit addressed the key audit matter

#### **Impairment loss on trade receivables**

Refer to Note 3.1(b)(ii) "Credit risk – Trade receivables and contract assets", Note 4 "Critical accounting estimates and judgments" and Note 16 "Trade and other receivables" to the consolidated financial statements.

As at 31 December 2021, gross trade receivables amounted to RMB5,402,402,000, which represented approximately 11% of the total assets of the Group, and a total loss allowance of RMB425,178,000 was provided against the gross amount of trade receivables.

Management assessed the impairment loss on trade receivables based on assumptions about expected credit loss rates. The Group used judgments in making these assumptions and selecting the inputs to the impairment loss calculation, taking into account cash collection history, existing market conditions as well as forward looking estimates.

We focused on this area as the balance of trade receivables was material and the assessment on the impairment loss on these receivables involved significant judgments and estimates made by management, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment loss on trade receivables is considered significant due to uncertainty of significant assumptions used.

We have performed the following procedures to address this key audit matter:

- (i) Understood, evaluated and validated the internal controls in relation to collection of trade receivables and assessment on the related impairment loss and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.
- (ii) Challenged the reasonableness of the expected credit loss rates of different group of ageing and type of customers.
- (iii) Tested, on a sample basis, the accuracy of the ageing of trade receivables and checked the accuracy of the calculation of impairment loss allowance.

We found that the significant judgments and estimates made by management in assessing the impairment loss on trade receivables were supported by available evidence.

### **OTHER INFORMATION**

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

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

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

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

### **RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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

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

## Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## Independent Auditor's Report

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael W.H. Chan.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 25 March 2022

# CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2021 RMB'000	2020 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	2,979,776	2,798,312
Right-of-use assets	7	705,160	686,963
Investment properties	9	763,934	764,969
Intangible assets	8	388,147	16,534
Investments accounted for using the equity method	11	381,708	676,769
Trade and other receivables	16	632,676	613,074
Financial assets at fair value through other comprehensive income	12	363,694	222,568
Financial assets at fair value through profit or loss	17	6,948	6,752
Deferred income tax assets	25	303,794	253,418
		<b>6,525,837</b>	6,039,359
<b>Current assets</b>			
Inventories	13	283,715	288,654
Properties under development	14	14,938,687	11,049,231
Completed properties held for sale	15	2,228,468	2,826,601
Contract assets	5	7,226,715	5,487,756
Trade and other receivables	16	7,835,106	6,632,126
Financial assets at fair value through profit or loss	17	481,600	753,600
Restricted bank deposits	18,19	1,263,180	1,553,935
Term deposits with initial term of over three months	19	318,452	282,157
Cash and cash equivalents	19	7,813,911	7,261,532
		<b>42,389,834</b>	36,135,592
<b>Total assets</b>		<b>48,915,671</b>	42,174,951

# CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2021 RMB'000	2020 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and premium	20	1,035,874	1,044,097
Other reserves	21	335,484	208,997
Retained earnings	22	9,494,855	8,726,599
		<b>10,866,213</b>	9,979,693
<b>Non-controlling interests</b>		<b>482,960</b>	375,653
<b>Total equity</b>		<b>11,349,173</b>	10,355,346
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings	24	963,225	2,219,700
Lease liabilities	7	15,547	1,761
Deferred income tax liabilities	25	206,658	151,535
		<b>1,185,430</b>	2,372,996
<b>Current liabilities</b>			
Contract liabilities	5	16,767,601	11,243,496
Trade and other payables	23	16,256,918	15,420,229
Lease liabilities	7	1,599	403
Bank and other borrowings	24	3,089,121	2,434,155
Current income tax liabilities		265,829	348,326
		<b>36,381,068</b>	29,446,609
<b>Total liabilities</b>		<b>37,566,498</b>	31,819,605
<b>Total equity and liabilities</b>		<b>48,915,671</b>	42,174,951

The notes on pages 79 to 170 are an integral part of these consolidated financial statements.

The financial statements on pages 72 to 170 were approved by the Board of Directors on 25 March 2022 and were signed on its behalf.

**Mr. Pang Baogen**  
Director

**Mr. Gao Jiming**  
Director

# CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
<b>Revenue</b>	5	<b>26,781,555</b>	25,275,453
Cost of sales	28	<b>(24,635,560)</b>	(23,198,277)
<b>Gross profit</b>		<b>2,145,995</b>	2,077,176
Other income	26	<b>177,110</b>	182,886
Other gains – net	27	<b>97,695</b>	23,696
Selling and marketing costs	28	<b>(191,512)</b>	(164,377)
Administrative expenses	28	<b>(755,869)</b>	(677,520)
Net impairment losses on financial and contract assets	3.1(b)	<b>(127,560)</b>	(49,532)
<b>Operating profit</b>		<b>1,345,859</b>	1,392,329
Finance income	30	<b>12,900</b>	11,247
Finance costs	30	<b>(91,552)</b>	(96,897)
Finance costs – net	30	<b>(78,652)</b>	(85,650)
Share of results of investments accounted for using the equity method	11	<b>25,085</b>	(12,170)
<b>Profit before income tax</b>		<b>1,292,292</b>	1,294,509
Income tax expenses	31	<b>(406,918)</b>	(462,698)
<b>Profit for the year</b>		<b>885,374</b>	831,811
<b>Profit attributable to:</b>			
– Owners of the Company		<b>788,477</b>	794,084
– Non-controlling interests		<b>96,897</b>	37,727
		<b>885,374</b>	831,811
<b>Earnings per share for profit attributable to owners of the Company</b>			
– Basic and diluted (expressed in RMB yuan per share)	32	<b>1.40</b>	1.41

The notes on pages 79 to 170 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
<b>Profit for the year</b>		<b>885,374</b>	831,811
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences	21	<b>4,076</b>	(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	21	<b>102,190</b>	(4,222)
<b>Total other comprehensive income/(loss) for the year, net of tax</b>		<b>106,266</b>	(4,435)
<b>Total comprehensive income for the year</b>		<b>991,640</b>	827,376
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		<b>894,743</b>	789,649
– Non-controlling interests		<b>96,897</b>	37,727
<b>Total comprehensive income for the year</b>		<b>991,640</b>	827,376

The notes on pages 79 to 170 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Total equity RMB'000
	Note	Share Capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
<b>Balance at 1 January 2020</b>		562,664	481,433	209,296	7,936,651	9,190,044	393,861	9,583,905
<b>Comprehensive income</b>								
Profit for the year		-	-	-	794,084	794,084	37,727	831,811
Other comprehensive loss	21	-	-	(4,435)	-	(4,435)	-	(4,435)
<b>Total comprehensive income</b>		-	-	(4,435)	794,084	789,649	37,727	827,376
<b>Transactions with owners in their capacity as owners</b>								
Transfer of statutory surplus reserves	22	-	-	4,136	(4,136)	-	-	-
Capital contributions by non- controlling interests		-	-	-	-	-	32,300	32,300
Dividends paid to non-controlling interests		-	-	-	-	-	(88,235)	(88,235)
<b>Total transactions with owners</b>		-	-	4,136	(4,136)	-	(55,935)	(55,935)
<b>Balance at 31 December 2020</b>		562,664	481,433	208,997	8,726,599	9,979,693	375,653	10,355,346

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share Capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
<b>Balance at 1 January 2021</b>		562,664	481,433	208,997	8,726,599	9,979,693	375,653	10,355,346
<b>Comprehensive income</b>								
Profit for the year		-	-	-	788,477	788,477	96,897	885,374
Other comprehensive income	21	-	-	106,266	-	106,266	-	106,266
<b>Total comprehensive income</b>		-	-	106,266	788,477	894,743	96,897	991,640
<b>Transactions with owners in their capacity as owners</b>								
Buy-back of shares	20	(2,030)	(6,193)	-	-	(8,223)	-	(8,223)
Transfer of statutory surplus reserves	22	-	-	20,221	(20,221)	-	-	-
Capital contributions by non-controlling interests		-	-	-	-	-	10,410	10,410
<b>Total transactions with owners</b>		(2,030)	(6,193)	20,221	(20,221)	(8,223)	10,410	2,187
<b>Balance at 31 December 2021</b>		560,634	475,240	335,484	9,494,855	10,866,213	482,960	11,349,173

The notes on pages 79 to 170 are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	34	2,248,491	2,777,516
Interest paid		(218,563)	(259,982)
Income tax paid		(684,927)	(640,755)
<b>Net cash generated from operating activities</b>		<b>1,345,001</b>	1,876,779
<b>Cash flows from investing activities</b>			
Payments for investments in joint ventures	11(a)	(7,153)	(2,750)
Repayment of loans by joint ventures	16(a)	254,954	463,794
Loans to joint ventures	16(a)	(56,734)	(237,500)
Payments for investments in associates	11(b)	–	(184,000)
Repayment of loans by associates	16(b)	–	6,031
Loans to associates	16(b)	(137,030)	–
Net cash acquired from acquisition of subsidiaries	38	157,367	–
Purchase of financial assets at fair value through profit or loss	17	(861,000)	(753,600)
Disposal of financial assets at fair value through profit or loss		1,157,621	577,610
Disposal of subsidiaries, net of cash disposed of		–	6,455
Purchase of property, plant and equipment		(464,168)	(433,729)
Proceeds from disposal of property, plant and equipment	34(b)	73,389	46,761
Purchase of right-of-use for land use rights	7	(25,038)	(37,311)
Purchase of mining rights	8	(371,613)	–
Advance from government for housing demolition and relocation		329,770	–
(Increase)/decrease of term deposits with initial term of over three months		(36,295)	21,233
Interest received		174,709	182,886
<b>Net cash generated from/(used in) investing activities</b>		<b>188,779</b>	(344,120)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		2,983,060	4,396,077
Repayments of borrowings		(3,684,569)	(4,541,911)
Principal elements of lease payments		(4,174)	(7,586)
Capital contributions by non-controlling interests		10,410	32,300
Buy-back of shares		(82,371)	–
(Repayment of advances)/advances from non-controlling interests		(200,075)	445,125
Dividends paid to non-controlling interests		–	(88,235)
<b>Net cash (used in)/generated from financing activities</b>		<b>(977,719)</b>	235,770
<b>Net increase in cash and cash equivalents</b>		<b>556,061</b>	1,768,429
Cash and cash equivalents at beginning of the year		7,261,532	5,504,968
Exchange losses on cash and cash equivalents		(3,682)	(11,865)
<b>Cash and cash equivalents at end of the year</b>		<b>7,813,911</b>	7,261,532

The notes on pages 79 to 170 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

The 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, sale and installation of building materials and development and sale of properties 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.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of preparation

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

##### 2.1.1 Changes in accounting policy 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Changes in accounting policy and disclosures (continued)

##### (b) New, 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
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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Principles of consolidation and equity accounting

#### 2.2.1 Subsidiaries

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

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

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

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

#### 2.2.2 Associates

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

#### 2.2.3 Joint arrangements

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Principles of consolidation and equity accounting (continued)

#### 2.2.4 Equity method

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

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

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

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

#### 2.2.5 Changes in equity interests

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

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

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Principles of consolidation and equity accounting (continued)

##### 2.2.5 Changes in equity interests (continued)

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

#### 2.3 Business combination

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Business combination (continued)

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

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

Concentration test as prescribed by HKFRS 3 "Business Combination" has been applied by the Group to consider whether the set of activities and assets of subsidiaries acquired are individually businesses. If the fair value of total net assets acquired substantially equals to the fair value of an identifiable asset acquired, the transaction would be accounted for as asset acquisition instead of business acquisition. The consideration is then directly allocated to the individual identifiable assets acquired and liabilities assumed.

### 2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

### 2.5 Segment reporting

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

(c) *Group companies*

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Property, plant and equipment

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

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

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Investment properties

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

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

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

### 2.9 Impairment of non-financial assets

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

### 2.10 Financial assets

#### (a) Classification

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets

(a) *Classification (continued)*

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI.

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

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

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

Debt instruments

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (continued)

(c) *Measurement (continued)*

Debt instruments (continued)

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

Equity instruments

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

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

### 2.11 Intangible assets

(a) *Goodwill*

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Intangible assets (continued)

(b) *Construction stone mining right*

Construction stone mining right is stated at cost less accumulated amortisation and impairment losses and are amortised based on the units of production method utilising only recoverable construction stone reserve as the depletion base, unless the construction stone mining right is classified as held for sale (or included in a disposal group that is classified as held for sale). The historical cost of construction stone mining right comprises of the cost to acquire the mining right for a period of 23 years and other expenditure that is directly attributable to the acquisition of the mining right.

### 2.12 Impairment of financial assets

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Properties under development

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

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

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

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

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

### 2.14 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Inventories

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

### 2.16 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 16 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the group's impairment policies.

### 2.17 Contract assets, contract acquisition costs and contract liabilities

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

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

### 2.18 Cash and cash equivalents

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

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.19 Share capital

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

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

#### 2.20 Government grants

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

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognised as deferred income, and recognised in the profit or loss over the periods in which the related costs are incurred; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised in the profit or loss.

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

#### 2.21 Trade payables

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Borrowings

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

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

### 2.23 Borrowing costs

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

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

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

### 2.24 Current and deferred income tax

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

(a) *Current income tax*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.24 Current and deferred income tax (continued)

(b) *Deferred income tax*

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

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

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

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

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

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Oneland or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25 Pension obligations

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

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

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

### 2.26 Revenue recognition

(i) *Revenue from contracts with customers*

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.26 Revenue recognition (continued)

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

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

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

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

Hotel operation and membership services

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

(ii) *Rental income*

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

### 2.27 Interest income

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.28 Provisions

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

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

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

### 2.29 Leases

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

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

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

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.29 Leases (continued)

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.29 Leases (continued)

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

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

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

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture. Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities and cash payments for the interest portion are consistent with presentation of interest payments.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.30 Dividend distribution

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

### 2.31 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9, 'Financial Instruments' and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

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

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

(a) *Market risk*

(i) Foreign exchange risk

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

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

There is no written policy to manage this foreign exchange risk. Management monitors the Group's currency exposure on an ongoing basis. During 2021 and 2020, the Group did not purchase forward contracts to hedge the foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets at 31 December 2021 and 2020 were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Assets</b>		
USD	199,991	109,498

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(a) *Market risk (continued)*

(i) Foreign exchange risk (continued)

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

	Change of net profit or loss – (decrease)/increase	
	2021 RMB'000	2020 RMB'000
RMB against USD:		
Strengthened by 5%	<b>(7,500)</b>	(4,106)
Weakened by 5%	<b>7,500</b>	4,106

(ii) Price risk

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

As at 31 December 2021, management considered that the price risk of these listed equity securities had no material impact on the Group's financial statements as the amount of these listed equity securities was not significant.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(a) *Market risk (continued)*

(iii) Cash flow and fair value interest rate risk

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

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

As at 31 December 2021, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, the net profit for current year would decrease/increase by RMB1,758,000 (2020: RMB1,257,000), the properties under development would increase/decrease by RMB2,642,000 (2020: RMB2,521,000) and constructions in progress by RMB665,000 (2020: RMB373,000).

(b) *Credit risk*

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

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

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

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

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

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

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Loans to joint ventures and associates

As at 31 December 2021, the Group provides for credit losses against loans to joint ventures and associates as follows:

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

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

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

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

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

	Loans to joint ventures		Loans to associates	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
At 1 January	7,600	9,217	2,381	2,442
(Reversal)/Provision for loss allowance	(2,328)	(1,617)	685	(61)
At 31 December	5,272	7,600	3,066	2,381
Less: loss allowance provision against current assets	(2,638)	(5,064)	(758)	–
Loss allowance provision against non-current assets	2,634	2,536	2,308	2,381

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

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

As at 31 December 2021, the gross carrying amount of loans to joint ventures and loans to associates were RMB491,363,000 (2020: RMB687,182,000) and RMB375,175,000 (2020: RMB238,145,000) respectively, and thus the maximum exposure to loss of loans to joint ventures and loans to associates were RMB486,091,000 (2020: RMB679,582,000) and RMB372,109,000 (2020: RMB235,764,000) respectively.

(ii) Trade receivables and contract assets

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

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

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Trade receivables and contract assets (continued)

The loss allowance provision as at 31 December 2021 and 2020 is determined as follows, the expected credit losses below also incorporate forward looking information

31 December 2021	Within 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade receivables aged						
Weighted average expected loss rate	0.6%	3.5%	11.6%	20.9%	38.8%	
Gross carrying amount (RMB'000)	1,544,136	2,110,377	837,362	605,724	304,803	5,402,402
Loss allowance provision (RMB'000)	8,959	74,238	97,105	126,507	118,369	425,178

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

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts, and the expected loss rate of contract assets is assessed to be 0.6%.

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

	Trade receivables		Contract assets	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
At 1 January	307,181	271,589	29,193	14,024
Provision for loss allowance	117,997	35,592	12,964	15,169
At 31 December	425,178	307,181	42,157	29,193

As at 31 December 2021, the gross carrying amount of trade receivables and contract assets were RMB5,402,402,000 (2020: RMB4,330,627,000) and RMB7,268,872,000 (2020: RMB5,516,949,000) respectively, and thus the maximum exposure to loss of trade receivables and contract assets were RMB4,977,224,000 (2020: RMB4,023,446,000) and RMB7,226,715,000 (2020: RMB5,487,756,000) respectively.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

(iii) Other receivables

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

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

	Other receivables	
	2021	2020
	RMB'000	RMB'000
At 1 January	7,440	6,991
(Reversal)/provision for loss allowance	(1,758)	449
At 31 December	5,682	7,440

As at 31 December 2021, the gross carrying amount of other receivables was RMB1,050,329,000 (2020: RMB1,465,308,000), and thus the maximum exposure to loss of other receivables was RMB1,044,647,000 (2020: RMB1,457,868,000).

(iv) Total impairment losses on financial and contract assets

	2021	2020
	RMB'000	RMB'000
Provided for:		
Loans to joint ventures and associates	(1,643)	(1,678)
Trade receivables and contract assets	130,961	50,761
Other receivables	(1,758)	449
	127,560	49,532

(c) *Liquidity risk*

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

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(c) *Liquidity risk (continued)*

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

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

	As at 31 December 2020				
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Principal of bank and other borrowings	2,434,155	725,750	689,200	804,750	4,653,855
Interest of bank and other borrowings	112,170	54,860	117,705	63,759	348,494
Trade and other payables (excluding other taxes payables, prepayments and salaries payables)	14,420,027	–	–	–	14,420,027
Lease liabilities	507	2,216	–	–	2,723
	<b>16,966,859</b>	<b>782,826</b>	<b>806,905</b>	<b>868,509</b>	<b>19,425,099</b>
Financial guarantee	1,664,673	–	–	–	1,664,673

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

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.2 Capital management

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

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

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

As at 31 December 2021 and 2020, the Group had surplus cash and cash equivalents over borrowings.

#### 3.3 Fair value estimation

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

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

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that were measured at fair value at 31 December 2021 and 2020. See Note 9 for disclosures of the investment properties that were measured at fair value.

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

	As at 31 December 2020			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at FVPL				
– Bank financial products	–	–	753,600	753,600
– Listed equity securities	6,752	–	–	6,752
Financial assets at FVOCI				
– Unlisted equity securities	–	–	222,568	222,568
	6,752	–	976,168	982,920

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation (continued)

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

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

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

Specific valuation techniques used to value financial instruments include:

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

During the year ended 31 December 2021, there were no reclassifications of financial assets.

There were no changes in valuation techniques during the year ended 31 December 2021.

The following table presents the changes in level 3 instruments for the year ended 31 December 2021 and 2020.

	2021 RMB'000	2020 RMB'000
At 1 January	976,168	786,197
Additions	861,000	753,600
Disposals	(1,133,000)	(558,000)
Fair value changes recognised in other comprehensive income	109,415	(5,629)
Transfer to level 1	(81,487)	–
At 31 December	732,096	976,168

**3 FINANCIAL RISK MANAGEMENT (CONTINUED)****3.4 Financial instruments by category**

	Note	2021 RMB'000	2020 RMB'000
<b>Financial assets</b>			
Financial assets at amortised cost			
– Trade and other receivables (excluding prepayments)	16	<b>6,880,071</b>	6,396,660
– Restricted bank deposits	18,19	<b>1,263,180</b>	1,553,935
– Term deposits with initial term of over three months	19	<b>318,452</b>	282,157
– Cash and cash equivalents	19	<b>7,813,911</b>	7,261,532
Financial assets at FVOCI	12	<b>363,694</b>	222,568
Financial assets at FVPL	17	<b>488,548</b>	760,352
At 31 December		<b>17,127,856</b>	16,477,204

	Note	2021 RMB'000	2020 RMB'000
<b>Financial liabilities</b>			
Financial liabilities at amortised cost			
– Trade and other payables (excluding other taxes payables, advance and salaries payables)	23	<b>14,678,786</b>	14,420,027
– Borrowings	24	<b>4,052,346</b>	4,653,855
– Lease liabilities	7	<b>17,146</b>	2,164
At 31 December		<b>18,748,278</b>	19,076,046

## Notes to the Consolidated Financial Statements

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

#### (a) Revenue recognition for provision of construction services

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

#### (b) Impairment of financial and contract assets

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

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### (c) Income taxes and deferred taxation

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

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

### (d) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgments and assumptions have been disclosed in Note 9.

## 5 SEGMENT INFORMATION

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

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

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

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

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

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (CONTINUED)

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

The segment information was as follows:

	Year ended 31 December 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)
<b>Revenue (from external customers)</b>	<b>21,640,032</b>	<b>2,365,738</b>	<b>2,338,965</b>	<b>436,820</b>	<b>26,781,555</b>
<b>Operating profit</b>	<b>570,250</b>	<b>610,533</b>	<b>145,117</b>	<b>19,959</b>	<b>1,345,859</b>
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

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (CONTINUED)

The segment information was as follows (continued):

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

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (CONTINUED)

#### (a) Analysis of revenue by category

	2021 RMB'000	2020 RMB'000
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
	<b>26,781,555</b>	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 RMB'000	2020 RMB'000
Relating to construction services	6,770,224	5,025,646
Relating to installation of building materials	498,648	491,303
	<b>7,268,872</b>	5,516,949
Less: provision for loss allowance (Note 3.1(b))	(42,157)	(29,193)
Total contract assets	<b>7,226,715</b>	5,487,756

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.

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (CONTINUED)

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

Details of contract liabilities are as follows:

	2021 RMB'000	2020 RMB'000
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
<b>Total contract liabilities</b>	<b>16,767,601</b>	<b>11,243,496</b>

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

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

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Provision of construction services	1,386,929	1,740,229
– Sale of properties	1,912,371	1,568,412
– Sale of building materials	259,232	157,883
	<b>3,558,532</b>	<b>3,466,524</b>

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

	2021 RMB'000	2020 RMB'000
Expected to be recognised within one year	22,579,843	23,140,625
Expected to be recognised after one year	42,078,496	40,916,730
<b>Total transaction price allocated to the unsatisfied contracts as of 31 December</b>	<b>64,658,339</b>	<b>64,057,355</b>

## Notes to the Consolidated Financial Statements

### 6 PROPERTY, PLANT AND EQUIPMENT

	Buildings and plants RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2020</b>						
Cost	2,328,482	735,569	117,143	175,345	512,484	3,869,023
Accumulated depreciation	(661,050)	(331,442)	(83,024)	(165,421)	–	(1,240,937)
Net book amount	1,667,432	404,127	34,119	9,924	512,484	2,628,086
<b>Year ended 31 December 2020</b>						
Opening net book amount	1,667,432	404,127	34,119	9,924	512,484	2,628,086
Additions	28,171	103,899	23,405	19,573	279,366	454,414
Disposal of subsidiaries	(636)	(9,799)	(4,620)	(284)	–	(15,339)
Transfers	155,578	41,828	–	233	(197,639)	–
Other disposals	(15,381)	(1,639)	(1,221)	(158)	(38,879)	(57,278)
Depreciation charge	(127,304)	(58,180)	(14,518)	(11,569)	–	(211,571)
Closing net book amount	1,707,860	480,236	37,165	17,719	555,332	2,798,312
<b>At 31 December 2020</b>						
Cost	2,473,392	842,217	93,949	183,990	555,332	4,148,880
Accumulated depreciation	(765,532)	(361,981)	(56,784)	(166,271)	–	(1,350,568)
Net book amount	1,707,860	480,236	37,165	17,719	555,332	2,798,312
<b>Year ended 31 December 2021</b>						
Opening net book amount	<b>1,707,860</b>	<b>480,236</b>	<b>37,165</b>	<b>17,719</b>	<b>555,332</b>	<b>2,798,312</b>
Additions	<b>55,879</b>	<b>67,797</b>	<b>11,299</b>	<b>30,319</b>	<b>327,423</b>	<b>492,717</b>
Transfers	<b>189,098</b>	<b>61,952</b>	–	–	<b>(251,050)</b>	–
Disposals	<b>(3,341)</b>	<b>(1,759)</b>	<b>(545)</b>	<b>(197)</b>	<b>(66,136)</b>	<b>(71,978)</b>
Depreciation charge	<b>(114,474)</b>	<b>(91,821)</b>	<b>(18,070)</b>	<b>(14,910)</b>	–	<b>(239,275)</b>
Closing net book amount	<b>1,835,022</b>	<b>516,405</b>	<b>29,849</b>	<b>32,931</b>	<b>565,569</b>	<b>2,979,776</b>
<b>At 31 December 2021</b>						
Cost	<b>2,712,931</b>	<b>955,847</b>	<b>97,346</b>	<b>211,647</b>	<b>565,569</b>	<b>4,543,340</b>
Accumulated depreciation	<b>(877,909)</b>	<b>(439,442)</b>	<b>(67,497)</b>	<b>(178,716)</b>	–	<b>(1,563,564)</b>
Net book amount	<b>1,835,022</b>	<b>516,405</b>	<b>29,849</b>	<b>32,931</b>	<b>565,569</b>	<b>2,979,776</b>

## Notes to the Consolidated Financial Statements

### 6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charge of RMB153,293,000 (2020: RMB130,955,000) and RMB85,982,000 (2020: RMB80,616,000) has been expensed in cost of sales and administrative expenses, respectively.

As at 31 December 2021, total carrying value of property, plant and equipment pledged as collateral for the Group's bank borrowings amounted to RMB444,691,000 (2020: RMB201,865,000) (Note 24(a)).

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

	2021 RMB'000	2020 RMB'000
Cost	244,301	243,867
Accumulated depreciation at 1 January	(81,398)	(65,167)
Depreciation charge for the year	(11,474)	(11,319)
Net book amount	151,429	167,381
Related rental income for the year	49,097	50,042

### 7 LEASES

The balance sheet shows the following amounts relating to leases:

	2021 RMB'000	2020 RMB'000
<b>Right-of-use assets</b>		
Right-of-use for properties	17,881	3,152
Right-of-use for land	687,279	683,811
	705,160	686,963
<b>Lease liabilities</b>		
Current	1,599	403
Non-current	15,547	1,761
	17,146	2,164

Additions to the right-of-use assets during the 2021 financial year were RMB44,193,000 (2020: RMB37,311,000). Right-of-use for land were located in the PRC and were held on leases of between 40 to 70 years.

## Notes to the Consolidated Financial Statements

### 7 LEASES (CONTINUED)

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

	2021 RMB'000	2020 RMB'000
<b>Depreciation charge of right-of-use assets</b>		
Right-of-use for properties	(4,428)	(6,922)
Right-of-use for land	(21,569)	(19,321)
	<b>(25,997)</b>	<b>(26,243)</b>
Interest expense (included in finance cost)	(872)	(294)
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	(13,362)	–

The total cash outflow for leases in 2021 was RMB5,046,000 (2020: RMB7,880,000).

### 8 INTANGIBLE ASSETS

	Construction stone mining right RMB'000 Note (a)	Goodwill RMB'000 Note (b)	Total RMB'000
<b>Year ended 31 December 2020</b>			
Opening net book amount	–	16,534	16,534
Additions	–	–	–
Amortisation	–	–	–
Closing net book amount	–	16,534	16,534
<b>At 31 December 2020</b>			
Cost	–	16,534	16,534
Accumulated amortisation	–	–	–
Net book amount	–	16,534	16,534
<b>Year ended 31 December 2021</b>			
Opening net book amount	–	16,534	16,534
Additions	371,613	–	371,613
Amortisation	–	–	–
Closing net book amount	371,613	16,534	388,147
<b>At 31 December 2021</b>			
Cost	371,613	16,534	388,147
Accumulated amortisation	–	–	–
Net book amount	371,613	16,534	388,147

**8 INTANGIBLE ASSETS (CONTINUED)**

Notes:

- (a) In July 2021, the Group acquired a construction stone mining right in Yichang City, Hubei Province through public auction and bidding at a total consideration of approximately RMB371,613,000. The Group 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. As at 31 December 2021, the Group has not commenced any mining production activities and thus there has been no amortisation charged to profit or loss.
- (b) Goodwill arose from the acquisition of a property development company by the Group in previous years.

**9 INVESTMENT PROPERTIES**

	2021 RMB'000	2020 RMB'000
At 1 January	764,969	766,435
Fair value losses (i)	(1,035)	(1,466)
At 31 December, at fair value	763,934	764,969

**Amounts recognised in profit and loss for investment properties**

	2021 RMB'000	2020 RMB'000
Rental income	50,670	28,093
Direct operating expenses from properties that generated rental income	(36,402)	(18,917)
	14,268	9,176

## Notes to the Consolidated Financial Statements

### 9 INVESTMENT PROPERTIES (CONTINUED)

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

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

	2021 RMB'000	2020 RMB'000
Fair value losses	(1,035)	(1,466)

As at 31 December 2021, the Group had no unprovided contractual obligations for future repairs and maintenance (2020: Nil).

As at 31 December 2021, total carrying value of investment properties pledged as collateral for the Group's asset-backed securities amounted to RMB609,836,000 (2020: RMB610,871,000) (Note 24(a)).

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

As at 31 December 2021, an independent valuation of the Group's investment properties was performed by the valuer, Shaoxing Zhongxing Property Surveyors Limited, or the management to determine the fair value of the investment properties. The revaluation loss was included in "Other gains – net" in the consolidated income statement (Note 27). The investment properties, carried at fair value, were valued by using unobservable inputs of fair value hierarchy Level 3.

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

**9 INVESTMENT PROPERTIES (CONTINUED)****Fair value measurements using significant unobservable inputs (Level 3)**

	Shopping malls		Office buildings	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	<b>610,871</b>	612,337	<b>154,098</b>	154,098
Net losses from fair value adjustment	<b>(1,035)</b>	(1,466)	–	–
Closing balance	<b>609,836</b>	610,871	<b>154,098</b>	154,098

**Valuation processes of the Group**

The Group's investment properties were valued at 31 December 2021 by an independent professionally qualified valuer who hold a recognised relevant professional qualification or the management and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

At each financial year end the finance department:

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

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

## Notes to the Consolidated Financial Statements

### 9 INVESTMENT PROPERTIES (CONTINUED)

#### Valuation techniques

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

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

**9 INVESTMENT PROPERTIES (CONTINUED)****Information about fair value measurements using significant unobservable inputs (Level 3)**

Description	Unobservable inputs	Range of unobservable inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
		As at 31 December 2021	As at 31 December 2020	
Shopping malls	Rental cash inflows	<b>RMB42-RMB173 per month per square meter</b>	RMB40-RMB171 per month per square meter	The higher the rental value, the higher the fair value
	Discount rate	<b>7%</b>	7%	The higher the discount rate, the lower the fair value
	Capitalisation rate	<b>5%</b>	5%	The higher the capitalisation rate, the lower the fair value
Office buildings	Rental cash inflows	<b>RMB117-RMB182 per month per square meter</b>	RMB111-RMB160 per month per square meter	The higher the rental value, the higher the fair value
	Discount rate	<b>6%</b>	6%	The higher the discount rate, the lower the fair value
	Capitalisation rate	<b>5%</b>	5%	The higher the capitalisation rate, the lower the fair value

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

## Notes to the Consolidated Financial Statements

### 10 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2021, all of which are limited liability companies incorporated and operating in the PRC, except for Baoye Hubei Construction Engineering Group Co., Ltd., which also operates in certain African countries:

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

## Notes to the Consolidated Financial Statements

### 10 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly			
浙江寶業木製品有限公司 Zhejiang Baoye Woodwork Co., Ltd	100%	–	–	31,514	Sales of steel, wood fireproof doors, and other wooden products
上海紫寶房地產開發有限公司 Shanghai Zibao Real Estate Development Co., Ltd.	–	100%	–	18,000	Property development
安徽寶業建工集團有限公司 Anhui Baoye Construction Engineering Group Co., Ltd.	–	100%	–	1,000,000	Sales of concrete and construction materials
合肥寶業房地產有限公司 Hefei Baoye Real Estate Co., Ltd.	–	100%	–	30,000	Property development
安徽華騰投資有限公司 Anhui Huateng Investment Co., Ltd.	–	100%	–	10,000	Property development
上海寶築房地產開發有限公司 Shanghai Baozhu Real Estate Development Co., Ltd.	–	100%	–	30,000	Property development
上海寶悅房地產開發有限公司 Shanghai Baoyue Real Estate Development Co., Ltd.	–	100%	–	30,000	Property development
紹興寶業大坂綠園房地產開發有限公司 Shaoxing Baoye Daban Green Garden Real Estate Development Co., Ltd.	–	100%	–	100,000	Property development

## Notes to the Consolidated Financial Statements

### 10 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly			
				RMB'000	
寶業湖北建工集團有限公司 Baoye Hubei Construction Engineering Group Co., Ltd.	–	100%	–	1,000,000	Provision of construction services
湖北省建工第二建設有限公司 Hubei Construction Engineering No.2 Co., Ltd.	–	100%	–	181,800	Provision of construction services
湖北省建工第三建設有限公司 Hubei Construction Engineering No.3 Co., Ltd.	–	100%	–	50,800	Provision of construction services
湖北省建工第五建設有限公司 Hubei Construction Engineering No.5 Co., Ltd.	–	100%	–	110,000	Provision of construction services
湖北省建工機械施工有限公司 Hubei Engineering Machinery Construction Co., Ltd.	–	100%	–	50,000	Provision of construction services
湖北省建工房地產開發有限公司 Hubei Construction Engineering Real Estate Development Co., Ltd.	–	100%	–	20,000	Property development
湖北寶業房地產開發有限公司 Hubei Baoye Real Estate Development Co., Ltd.	–	100%	–	50,000	Property development
安徽金糧置業有限公司 Anhui Jinliang Real Estate Company Limited	–	100%	–	10,000	Property development

## Notes to the Consolidated Financial Statements

### 10 SUBSIDIARIES (CONTINUED)

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

## Notes to the Consolidated Financial Statements

### 10 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly			
六安寶業置業投資有限公司 Luan Baoye Real Estate Investment Co., Ltd	–	70%	30%	10,000	Property development
寧波廣弘房地產開發有限公司 Ningbo Guanghong Real Estate Development Co., Ltd	–	100%	–	1,000	Property development
蘇州寶嘉綠色建築產業發展有限公司 Anhui Baoye Property Management Co., Ltd	–	51%	49%	50,000	Sales of construction materials
蚌埠寶業建築科技有限公司 Bengbu Baoye Construction Technology Co., Ltd	–	100%	–	20,000	Sales of construction materials
武漢裕築房地產開發有限公司 Wuhan Yuzhu Real Estate Development Co., Ltd	–	100%	–	50,000	Property development
武漢寶業裕科置業有限公司 Wuhan Baoye Yuke Real Estate Co., Ltd	–	100%	–	50,000	Property development

- (a) Although the Group owns 50% of the equity interest in Mengcheng Baoye Investment Co., Ltd (“Mengcheng Baoye”), it is able to gain power over two-third of the voting rights by virtue of an agreement with other investors. Consequently, the Group regards Mengcheng Baoye as a subsidiary.
- (b) As at 31 December 2021 and 2020, there were no non-controlling interests that were material to the Group.

## 11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

### (a) Investments in joint ventures

	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	462,799	457,465
Additions	7,153	2,750
Transfer to investments in subsidiaries (Note 38)	(161,859)	–
Share of results	(23,000)	2,584
<b>At 31 December</b>	285,093	462,799
Represented by share of net assets	285,093	462,799

### (b) Investments in associates

	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	213,970	44,724
Additions	–	184,000
Transfer to investments in subsidiaries (Note 38)	(165,440)	–
Share of results	48,085	(14,754)
<b>At 31 December</b>	96,615	213,970
Represented by share of net assets	96,615	213,970

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 and thus the individual financial information of the joint ventures and associates is not disclosed.

## Notes to the Consolidated Financial Statements

### 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Unlisted equity investments at fair value	250,496	222,568
Listed equity investments at fair value	113,198	–
	<b>363,694</b>	222,568

Fair value changes included the following:

	2021 RMB'000	2020 RMB'000
Unlisted equity investments at fair value	27,928	(5,629)
Listed equity investments at fair value	108,326	–
	<b>136,254</b>	(5,629)

- (a) This represented a 10% equity interest in Shanghai Research Institute of Building Sciences Group Co., Ltd. (“SRIBSG”) acquired in 2017 in the PRC.

The fair value of the Group’s investment in SRIBSG was determined by the management using market approach by reference to the recent appraisal of the value of the shares of SRIBSG, where available, or the price to earnings multiples of comparable listed companies in the domestic capital market.

- (b) This represented a 0.74% equity interest in Zhejiang Shaoxing Rui Feng Rural Commercial Bank Co., Ltd (“Bank of Ruifeng”), which is mainly engaged in corporate and individual deposits, loans and advances, payment and settlement, treasury and other banking business approved by China Banking and Insurance Regulatory Commission, and is listed on the Main Board of Shanghai Stock Exchange in June 2021.
- (c) The fair value measurement of the financial assets at FVOCI is categorised within level 3 of the fair value hierarchy.

## Notes to the Consolidated Financial Statements

### 13 INVENTORIES

	2021 RMB'000	2020 RMB'000
At cost:		
Raw materials	143,345	136,388
Work in progress	53,921	59,103
Finished goods	86,449	93,163
	<b>283,715</b>	288,654

The cost of inventories recognised as cost of sales amounted to RMB1,616,644,000 (2020: RMB1,888,637,000). No inventory provision was made as at 31 December 2021 and 2020.

### 14 PROPERTIES UNDER DEVELOPMENT

	2021 RMB'000	2020 RMB'000
Right-of-use for land	9,857,861	8,135,668
Development costs	4,768,142	2,636,649
Interest capitalised	312,684	276,914
	<b>14,938,687</b>	11,049,231

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

	2021 RMB'000	2020 RMB'000
Within the normal operating cycle included under current assets		
– to be completed over one year	7,149,631	6,724,518
– to be completed within one year	7,789,056	4,324,713
	<b>14,938,687</b>	11,049,231

As at 31 December 2021, no properties under development included the costs to fulfil those contracts with customers, revenue from which is recognised over time (2020: RMB270,000).

Cost of sales for the year included RMB270,000 (2020: RMB2,580,000) of costs to fulfil those contracts with customers brought forward from prior year and revenue from which is recognised over time.

As at 31 December 2021, properties under development amounted to RMB4,535,889,000 (2020: RMB4,791,724,000) were pledged as security for the Group's bank borrowings (Note 24(a)).

## Notes to the Consolidated Financial Statements

### 15 COMPLETED PROPERTIES HELD FOR SALE

	2021 RMB'000	2020 RMB'000
Right-of-use for land	538,176	732,541
Development costs	1,644,449	2,042,112
Interest capitalised	52,088	58,648
	<b>2,234,713</b>	2,833,301
Less: provision of impairment	(6,245)	(6,700)
	<b>2,228,468</b>	2,826,601

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

As at 31 December 2021 and 2020, no completed properties held for sale were pledged as security for the Group's bank borrowings.

### 16 TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
<b>Non-current assets</b>		
Loans to joint ventures (a)	404,226	384,624
Loans to associates (b)	228,450	228,450
	<b>632,676</b>	613,074
<b>Current assets</b>		
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
	<b>7,835,106</b>	6,632,126

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

	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	<b>687,182</b>	892,976
Additions	<b>56,734</b>	237,500
Interest accrued	<b>2,401</b>	20,500
Repayments	<b>(254,954)</b>	(463,794)
	<b>491,363</b>	687,182
Less: provision for loss allowance (Note 3.1(b))	<b>(5,272)</b>	(7,600)
<b>At 31 December</b>	<b>486,091</b>	679,582
Less: current portion	<b>(81,865)</b>	(294,958)
Non-current portion	<b>404,226</b>	384,624

RMB59,504,000 (2020: RMB275,023,000) of loans to joint ventures are interest-bearing at market lending rates range 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 RMB'000	2020 RMB'000
<b>At 1 January</b>	<b>238,145</b>	244,176
Additions	<b>137,030</b>	–
Repayments	–	(6,031)
	<b>375,175</b>	238,145
Less: provision for loss allowance (Note 3.1(b))	<b>(3,066)</b>	(2,381)
<b>At 31 December</b>	<b>372,109</b>	235,764
Less: current portion	<b>(143,659)</b>	(7,314)
Non-current portion	<b>228,450</b>	228,450

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

## Notes to the Consolidated Financial Statements

### 16 TRADE AND OTHER RECEIVABLES (CONTINUED)

#### (c) Trade receivables

	2021 RMB'000	2020 RMB'000
Trade receivables	<b>5,402,402</b>	4,330,627
Less: provision for loss allowance (Note 3.1(b))	<b>(425,178)</b>	(307,181)
	<b>4,977,224</b>	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 RMB'000	2020 RMB'000
Within 3 months	<b>1,544,136</b>	1,496,710
3 months to 1 year	<b>2,110,377</b>	1,109,437
1 to 2 years	<b>837,362</b>	1,102,773
2 to 3 years	<b>605,724</b>	379,662
Over 3 years	<b>304,803</b>	242,045
	<b>5,402,402</b>	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 (note 3.1(b)).

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

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

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

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

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

**(d) Other receivables and prepayments**

	2021 RMB'000	2020 RMB'000
Other receivables:		
– Retention money and project deposits	645,135	906,292
– Advances to project managers	127,677	101,145
– Others	277,517	457,871
	<b>1,050,329</b>	1,465,308
Less: provision for loss allowance (Note 3.1(b))	<b>(5,682)</b>	(7,440)
	<b>1,044,647</b>	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
	<b>1,587,711</b>	848,540
Other receivables and prepayments	<b>2,632,358</b>	2,306,408

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.

## Notes to the Consolidated Financial Statements

### 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	<b>760,352</b>	566,486
Additions	<b>861,000</b>	753,600
Fair value changes	<b>196</b>	(1,734)
Disposals	<b>(1,133,000)</b>	(558,000)
<b>At 31 December</b>	<b>488,548</b>	760,352

Financial assets at FVPL included the following:

	2021 RMB'000	2020 RMB'000
Non-current:		
– Listed equity securities – the PRC	<b>6,948</b>	6,752
Current:		
– Bank financial products (a)	<b>481,600</b>	753,600
	<b>488,548</b>	760,352

- (a) The amount represented investments in financial products issued by banks with expected returns ranging from 2% to 3.85% per annum. The carrying values approximated their fair values. The fair values were determined based on the discounted cash flows of the investment principal amount and expected investment return and were within level 3 of the fair value hierarchy.

### 18 RESTRICTED BANK DEPOSITS

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

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

**19 CASH AND CASH EQUIVALENTS**

	2021 RMB'000	2020 RMB'000
Cash and bank deposits (i)	<b>9,395,543</b>	9,097,624
Less: Term deposits with initial term of over three months (ii)	<b>(318,452)</b>	(282,157)
Restricted bank deposits (Note 18)	<b>(1,263,180)</b>	(1,553,935)
	<b>7,813,911</b>	7,261,532

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

	2021 RMB'000	2020 RMB'000
Denominated in:		
– RMB	<b>9,091,279</b>	8,817,482
– USD	<b>199,991</b>	109,498
– Other currencies	<b>104,273</b>	170,644
	<b>9,395,543</b>	9,097,624

(ii) The weighted average interest rate as at 31 December 2021 of term deposits with initial term of over three months of the Group was 2.50% (2020: 3.00%).

## Notes to the Consolidated Financial Statements

### 20 SHARE CAPITAL AND PREMIUM

	Number of shares (thousands of RMB1 each)	Ordinary shares RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
<b>At 1 January 2021</b>					
– Domestic shares	350,742	350,742	–	–	350,742
– H shares*	211,922	211,922	481,433	–	693,355
	562,664	562,664	481,433	–	1,044,097
Buy-back of H shares (a)	(2,030)	(2,030)	(5,959)	(234)	(8,223)
<b>At 31 December 2021</b>					
– Domestic shares	350,742	350,742	–	–	350,742
– H shares*	209,892	209,892	475,474	(234)	685,132
	560,634	560,634	475,474	(234)	1,035,874
<b>At 31 December 2020</b>					
– Domestic shares	350,742	350,742	–	–	350,742
– H shares*	211,922	211,922	481,433	–	693,355
	562,664	562,664	481,433	–	1,044,097

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

(a) During the year, the Company repurchased 2,264,000 H Shares, of which 2,030,000 H Shares have been cancelled as at 31 December 2021, representing approximately 1.0683% and 0.4024% of the total number of H Shares and total number of issued shares of the Company, respectively, and 234,000 H shares remained uncanceled as at 31 December 2021 which were accounted for as treasury shares. The total amounts paid were approximately HKD9,948,000 (equivalent to approximately RMB8,223,000).

## 21 OTHER RESERVES

	Financial assets fair value reserve RMB'000	Statutory surplus reserve RMB'000	Others RMB'000	Total RMB'000
<b>At 1 January 2020</b>	(3,053)	221,559	(9,210)	209,296
Appropriation from retained earnings	–	4,136	–	4,136
Revaluation of financial assets at FVOCI (Note 12)	(5,629)	–	–	(5,629)
Revaluation-tax (Note 25)	1,407	–	–	1,407
Currency translation differences	–	–	(213)	(213)
<b>At 31 December 2020</b>	(7,275)	225,695	(9,423)	208,997
<b>At 1 January 2021</b>	<b>(7,275)</b>	<b>225,695</b>	<b>(9,423)</b>	<b>208,997</b>
Appropriation from retained earnings	–	20,221	–	20,221
Revaluation of financial assets at FVOCI (Note 12)	136,254	–	–	136,254
Revaluation-tax (Note 25)	(34,064)	–	–	(34,064)
Currency translation differences	–	–	4,076	4,076
<b>At 31 December 2021</b>	<b>94,915</b>	<b>245,916</b>	<b>(5,347)</b>	<b>335,484</b>

### (a) Statutory surplus reserve

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

## Notes to the Consolidated Financial Statements

### 22 RETAINED EARNINGS

	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	<b>8,726,599</b>	7,936,651
Profit for the year	<b>788,477</b>	794,084
Transfer to statutory surplus reserve	<b>(20,221)</b>	(4,136)
<b>At 31 December</b>	<b>9,494,855</b>	8,726,599

As at 31 December 2021, included in retained earnings of the Group, RMB1,142,254,000 (2020: RMB981,353,000) was surplus reserve of subsidiaries attributable to the Company, of which RMB160,901,000 (2020: RMB145,469,000) was appropriated for the current year.

### 23 TRADE AND OTHER PAYABLES

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

#### (a) Trade payables

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

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

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

**23 TRADE AND OTHER PAYABLES (CONTINUED)****(b) Other payables**

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

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

(ii) Amount represents the prepayments 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.

## Notes to the Consolidated Financial Statements

### 24 BANK AND OTHER BORROWINGS

	2021 RMB'000	2020 RMB'000
<b>Non-current liabilities</b>		
Long-term bank borrowings		
– Secured (a)	<b>1,283,950</b>	1,767,370
– Unsecured with guarantee (b)	<b>75,357</b>	81,175
Asset-backed securities		
– Secured (c)	<b>550,000</b>	550,000
	<b>1,909,307</b>	2,398,545
Less: current portion	<b>(946,082)</b>	(178,845)
	<b>963,225</b>	2,219,700
<b>Current liabilities</b>		
Short-term bank borrowings		
– Secured (a)	<b>29,000</b>	49,700
– Unsecured with guarantee (b)	<b>1,906,490</b>	1,956,110
– Guaranteed by companies within the Group	<b>207,549</b>	199,500
– Unsecured	<b>–</b>	50,000
Current portion of non-current liabilities	<b>946,082</b>	178,845
	<b>3,089,121</b>	2,434,155
	<b>4,052,346</b>	4,653,855

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

	2021 RMB'000	2020 RMB'000
Properties under development	<b>4,535,889</b>	4,791,724
Right-of-use for land	<b>604,498</b>	483,252
Investment properties	<b>609,836</b>	610,871
Property, plant and equipment	<b>444,691</b>	201,865
Equity interest in a subsidiary	<b>23,000</b>	–
	<b>6,217,914</b>	6,087,712

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

(b) These loans were guaranteed by:

	2021 RMB'000	2020 RMB'000
The Company	<b>1,857,490</b>	1,856,600
The Company and non-controlling interests (jointly)	<b>75,357</b>	81,175
Others	<b>49,000</b>	99,510
	<b>1,981,847</b>	2,037,285

(c) In 2019, the Company entered into an asset-backed securities (“ABS”) program and pursuant to which, the Company raised debt financing externally at a sum of RMB550,000,000 from the ABS holders, which are divided into (i) the Senior Class A Securities in the amount of RMB400,000,000; and (ii) the Senior Class B Securities in the amount of RMB150,000,000. The ABS have a tenor of 18 years, and the Senior Class A Securities have a redemption window every 3 years. The coupon rates fixed for the first three years of the term of the Senior Class A Securities and Senior Class B Securities are 5.9% and 6.1% per annum, respectively, and are subject to the Company’s right to adjust at the end of every three years of the term of the ABS commencing from the date of issue. The ABS are collateralised by certain investment properties of the Group amounting to RMB609,836,000 as at 31 December 2021.

(d) The weighted average interest rate of borrowings was 4.22% (2020: 4.43%). The fair values of the respective borrowings approximated their carrying amounts. All the carrying amounts of the borrowings were denominated in RMB.

(e) The borrowings were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	<b>3,089,121</b>	2,434,155
Between 1 and 2 years	<b>173,600</b>	725,750
Between 2 and 5 years	<b>584,225</b>	689,200
Over 5 years	<b>205,400</b>	804,750
	<b>4,052,346</b>	4,653,855

## Notes to the Consolidated Financial Statements

### 24 BANK AND OTHER BORROWINGS (CONTINUED)

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

	2021 RMB'000	2020 RMB'000
6 months or less	1,545,422	1,544,598
Between 6 and 12 months	2,092,624	1,663,807
Between 1 and 5 years	414,300	1,445,450
	<b>4,052,346</b>	4,653,855

### 25 DEFERRED INCOME TAX

The amounts shown in the balance sheet included the following:

	2021 RMB'000	2020 RMB'000
Deferred tax assets:		
– To be recovered after more than 12 months	136,803	116,420
– To be recovered within 12 months	166,991	136,998
	<b>303,794</b>	253,418
Deferred tax liabilities:		
– To be settled after more than 12 months	(150,170)	(99,231)
– To be settled within 12 months	(56,488)	(52,304)
	<b>(206,658)</b>	(151,535)

**25 DEFERRED INCOME TAX (CONTINUED)**

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

**Deferred tax assets**

	Impairment of assets RMB'000	Unrealised profit resulting from intragroup transactions RMB'000	Prepaid income tax RMB'000	Recognition of revenue over time RMB'000	Total RMB'000
<b>At 1 January 2020</b>	82,970	60,556	134,055	(4,484)	273,097
Recognised in the income statement	12,383	14,885	(49,771)	2,824	(19,679)
<b>At both 31 December 2020 and 1 January 2021</b>	<b>95,353</b>	<b>75,441</b>	<b>84,284</b>	<b>(1,660)</b>	<b>253,418</b>
Recognised in the income statement	<b>31,891</b>	<b>(858)</b>	<b>17,683</b>	<b>1,660</b>	<b>50,376</b>
<b>At 31 December 2021</b>	<b>127,244</b>	<b>74,583</b>	<b>101,967</b>	<b>–</b>	<b>303,794</b>

## Notes to the Consolidated Financial Statements

### 25 DEFERRED INCOME TAX (CONTINUED)

#### Deferred tax liabilities

	Fair value changes on financial assets RMB'000	Fair value adjustment on assets upon acquisition RMB'000	Interest capitalised RMB'000	Fair value changes on investment properties RMB'000	Recognition of revenue over time RMB'000	Total RMB'000
<b>At 1 January 2020</b>	(607)	(7,970)	(59,748)	(56,151)	(55,458)	(179,934)
Recognised in the income statement	434	272	(19,385)	(7,996)	53,667	26,992
Recognised in other comprehensive income	1,407	–	–	–	–	1,407
<b>At both 31 December 2020 and 1 January 2021</b>	<b>1,234</b>	<b>(7,698)</b>	<b>(79,133)</b>	<b>(64,147)</b>	<b>(1,791)</b>	<b>(151,535)</b>
Recognised in the income statement	(48)	272	(12,767)	(8,572)	56	(21,059)
Recognised in other comprehensive income	(34,064)	–	–	–	–	(34,064)
<b>At 31 December 2021</b>	<b>(32,878)</b>	<b>(7,426)</b>	<b>(91,900)</b>	<b>(72,719)</b>	<b>(1,735)</b>	<b>(206,658)</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB190,447,000 (2020: RMB138,408,000) in respect of losses amounting to RMB784,547,000 (2020: RMB573,910,000) that can be carried forward against future taxable income. These tax losses will expire up to and including the year of 2026 (2020: 2025).

**26 OTHER INCOME**

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

**27 OTHER GAINS – NET**

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

## Notes to the Consolidated Financial Statements

### 28 EXPENSES BY NATURE

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

	2021 RMB'000	2020 RMB'000
Depreciation of property, plant and equipment (Note 6)	239,275	211,571
Depreciation of right-of-use assets (Note 7)	25,997	26,243
Employee benefit expenses (Note 29)	5,586,383	5,321,497
Cost of construction contracts	16,053,070	15,075,142
Cost of properties sold	1,475,635	1,022,471
Reversal of impairment on completed properties held for sale	(455)	(744)
Changes in inventories of finished goods and work in progress	11,896	(75,923)
Raw materials and consumables used	1,604,748	1,964,560
Operating leases of buildings	13,362	3,558
Auditors' remuneration		
– Audit services	3,950	3,950
– Non-audit services	120	400
Others	568,960	487,449
	<b>25,582,941</b>	24,040,174

**29 EMPLOYEE BENEFIT EXPENSES**

	2021 RMB'000	2020 RMB'000
Wages and salaries	<b>5,457,628</b>	5,222,174
Welfare, medical and other expenses	<b>78,475</b>	76,995
Retirement benefit costs – defined contribution plans (a)	<b>50,280</b>	22,328
	<b>5,586,383</b>	5,321,497

**(a) Retirement benefit costs**

As stipulated by the Government regulations in the PRC, the Group is required to contribute to the state-sponsored retirement scheme for all of its employees in the PRC at 14% to 20% (2020: 18% to 20%) of the eligible salary of its employees on a monthly basis. The state-sponsored retirement scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the monthly contributions.

**(b) Five highest paid individuals**

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group for the year were all executive directors (2020: 5 executive directors), whose emoluments are reflected in the analysis presented in Note 40.

## Notes to the Consolidated Financial Statements

### 30 FINANCE COSTS – NET

	2021 RMB'000	2020 RMB'000
Finance costs:		
Interests on bank and other borrowings and lease liabilities	<b>218,563</b>	255,331
Less: interest capitalised in properties under development	<b>(103,744)</b>	(148,315)
Less: interest capitalised in constructions in progress	<b>(28,549)</b>	(20,685)
	<b>86,270</b>	86,331
Net foreign exchange losses	<b>5,282</b>	10,566
	<b>91,552</b>	96,897
Finance income:		
Interest income from financial assets held for cash management purposes	<b>(12,900)</b>	(11,247)
Finance costs – net	<b>78,652</b>	85,650

The capitalisation rate applied to funds borrowed generally and used for the development of properties was approximately 4.72% (2020: 4.68%) per annum.

### 31 INCOME TAX EXPENSES

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

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

**(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%).

## Notes to the Consolidated Financial Statements

### 31 INCOME TAX EXPENSES (CONTINUED)

#### (c) PRC land appreciation tax

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

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

	2021 RMB'000	2020 RMB'000
Profit before income tax	1,292,292	1,294,509
Add/(less): share of results of joint ventures	23,000	(2,584)
share of results of associates	(48,085)	14,754
	<b>1,267,207</b>	1,306,679
Calculated at a tax rate of 25% (2020: 25%)	316,801	326,670
Effects of different tax rates applicable to different subsidiaries of the Group	(30,803)	(7,620)
Income not subject to tax	(1,879)	(6,340)
Expenses not deductible for tax purposes	5,324	5,070
Unrecognised tax losses	85,862	51,091
Utilisation of previously unrecognised tax losses	(15,846)	(12,296)
Land appreciation tax deductible for CIT purpose	(15,820)	(35,375)
	<b>343,639</b>	321,200
PRC land appreciation tax	63,279	141,498
Income tax expenses	<b>406,918</b>	462,698

### 32 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 (Note 20).

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

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

### 33 DIVIDENDS

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

## Notes to the Consolidated Financial Statements

### 34 CASH FLOW INFORMATION

#### (a) Cash generated from operations

	2021 RMB'000	2020 RMB'000
Profit for the year	<b>885,374</b>	831,811
Adjustments for:		
Income tax expenses (Note 31)	<b>406,918</b>	462,698
Depreciation of property, plant and equipment (Note 6)	<b>239,275</b>	211,571
Depreciation of right-of-use assets (Note 7)	<b>25,997</b>	26,243
Net impairment losses on financial and contract assets	<b>127,560</b>	49,532
Reversal of impairment on completed properties held for sale (Note 15)	<b>(455)</b>	(744)
(Gains)/losses on disposal of property, plant and equipment (Note 27)	<b>(1,411)</b>	10,517
Fair value losses on investment properties (Note 27)	<b>1,035</b>	1,466
Fair value (gains)/losses of financial assets at FVPL (Note 27)	<b>(196)</b>	1,734
Gains on disposal of financial assets at FVPL (Note 27)	<b>(24,621)</b>	(19,610)
Losses on disposal of subsidiaries (Note 27)	<b>–</b>	13,133
Interest income (Note 26)	<b>(177,110)</b>	(182,886)
Share of results of joint ventures (Note 11(a))	<b>23,000</b>	(2,584)
Share of results of associates (Note 11(b))	<b>(48,085)</b>	14,754
Changes in working capital (excluded the effects of acquisition of subsidiaries):		
Properties under development and completed properties held for sale	<b>(1,985,428)</b>	(7,223,186)
Restricted bank deposits	<b>290,755</b>	(834,920)
Inventories	<b>4,939</b>	(100,977)
Contract assets	<b>(1,751,923)</b>	(1,688,628)
Trade and other receivables	<b>(1,110,986)</b>	3,702,926
Contract liabilities	<b>4,474,211</b>	4,413,631
Trade and other payables	<b>869,642</b>	3,091,035
Cash generated from operations	<b>2,248,491</b>	2,777,516

**34 CASH FLOW INFORMATION (CONTINUED)****(b)** Disposals of property, plant and equipment and right-of-use assets comprised:

	2021 RMB'000	2020 RMB'000
Property, plant and equipment		
Net book amounts (Note 6)	<b>71,978</b>	57,278
Gains/(losses) on disposals (Note 27)	<b>1,411</b>	(10,517)
Proceeds	<b>73,389</b>	46,761

**(c) Net cash reconciliation**

Table below presents an analysis of net cash and the movements in net cash during 2021 and 2020.

	2021 RMB'000	2020 RMB'000
Cash and cash equivalents	<b>7,813,911</b>	7,261,532
Term deposits with initial term of over three months	<b>318,452</b>	282,157
Restricted bank deposits	<b>1,263,180</b>	1,553,935
Borrowings – repayable within one year	<b>(3,089,121)</b>	(2,434,155)
Borrowings – repayable after one year	<b>(963,225)</b>	(2,219,700)
<b>Net cash</b>	<b>5,343,197</b>	4,443,769
Cash and bank balances	<b>9,395,543</b>	9,097,624
Gross debt – fixed interest rates	<b>(3,016,239)</b>	(3,798,680)
Gross debt – variable interest rates	<b>(1,036,107)</b>	(855,175)
<b>Net cash</b>	<b>5,343,197</b>	4,443,769

## Notes to the Consolidated Financial Statements

### 34 CASH FLOW INFORMATION (CONTINUED)

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

	Borrowings RMB'000	Other payables – advances from non-controlling interests RMB'000	Lease liabilities RMB'000	Total RMB'000
<b>At 1 January 2020</b>	4,799,689	826,187	9,750	5,635,626
Cash flows				
– (Outflow)/inflow from financial activities	(145,834)	445,125	(7,586)	291,705
<b>At 31 December 2020</b>	4,653,855	1,271,312	2,164	5,927,331
<b>At 1 January 2021</b>	<b>4,653,855</b>	<b>1,271,312</b>	<b>2,164</b>	<b>5,927,331</b>
Cash flows				
– Outflow from financial activities	(701,509)	(200,075)	(4,174)	(905,758)
Acquisition of subsidiaries	100,000	–	–	100,000
Acquisition of new lease contracts	–	–	19,156	19,156
<b>At 31 December 2021</b>	<b>4,052,346</b>	<b>1,071,237</b>	<b>17,146</b>	<b>5,140,729</b>

### 35 FINANCIAL GUARANTEES

	2021 RMB'000	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 certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by the Group. The banks will release such guarantees upon the delivery of the building ownership certificates of related properties to the banks as securities.

### 36 COMMITMENTS

#### (a) Commitments for capital expenditure

	2021 RMB'000	2020 RMB'000
Contracted but not provided for Property, plant and equipment	<b>213,163</b>	228,008

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

As at 31 December 2021, the Group had future aggregate minimum lease receivable under non-cancellable operating leases in respect of investment properties, building and plants, and machinery, details of which were as follows:

	2021 RMB'000	2020 RMB'000
Not later than 1 year	<b>136,010</b>	120,619
Later than 1 year and not later than 5 years	<b>260,501</b>	273,401
Later than 5 years	<b>56,494</b>	56,830
	<b>453,005</b>	450,850

The Group leased investment properties, building, plants and machinery and completed properties held for sale under various agreements which will terminate between 2022 and 2037. The agreements do not include any extension option.

#### (c) Commitments for investments

	2021 RMB'000	2020 RMB'000
Investments in and loans to joint ventures	<b>114,920</b>	132,420
Investments in and loans to associates	<b>252,214</b>	251,874
	<b>367,134</b>	384,294

## Notes to the Consolidated Financial Statements

### 37 RELATED-PARTY TRANSACTIONS

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

#### (a) Transactions with joint ventures

	2021 RMB'000	2020 RMB'000
Sales of goods	68,633	95,900
Provide construction services	231,335	227,346
Rental income	3,310	3,310
Purchase of building materials	102,662	189,029
Purchase of technical consulting services	14,705	8,369

#### (b) Key management compensation

Key management of the Group include the directors and supervisors, whose compensation has been disclosed in Note 40.

#### (c) Balances with joint ventures

	2021 RMB'000	2020 RMB'000
Trade receivables	13,262	45,978
Trade payables	12,445	36,681

### 38 ACQUISITION OF SUBSIDIARIES

The Group acquired 51% equity interest in Wuhan Yuzhu Real Estate Development Co., Ltd. (武漢裕築房地產開發有限公司, “Wuhan Yuzhu”), a previous joint venture of the Group, in May 2021 and 40% equity interest in Wuhan Baoye Yuke Real Estate Co., Ltd. (武漢寶業裕科置業有限公司, “Wuhan Yuke”), a previous associate of the Group, in June 2021, respectively, from the respective other shareholder of Wuhan Yuzhu and Wuhan Yuke. Since then, Wuhan Yuzhu and Wuhan Yuke have become wholly owned subsidiaries of the Group. The directors of the Company applied the optional test to identify concentration of fair value as prescribed by HKFRS 3 “Business Combination” and considered that the acquired set of activities and assets of Wuhan Yuzhu and Wuhan Yuke individually are not businesses. Accordingly, the above acquisition of subsidiaries was accounted for as acquisitions of assets and the consideration for each acquisition was allocated to the individual assets acquired and liabilities assumed of each of Wuhan Yuzhu and Wuhan Yuke on the respective acquisition dates.

The assets and liabilities recognised as a result of the acquisitions are as follows:

	2021 RMB'000
Purchase consideration	
– Investments in a joint venture and an associate (Note 11)	327,299
– Assumed liabilities to the joint venture and associate from the seller	271,400
– Cash paid	62,446
<b>Total consideration</b>	<b>661,145</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	219,813
Properties under development	1,201,696
Trade and other receivables	288,898
Bank and other borrowings	(100,000)
Trade and other payables	(13,300)
Contract liabilities	(1,049,894)
Others	113,932
<b>Net assets acquired</b>	<b>661,145</b>
Payments of acquisition of subsidiaries, net of cash acquired	
– Cash and cash equivalents of the subsidiaries acquired	219,813
– Cash paid	(62,446)
<b>Net cash inflow on acquisitions</b>	<b>157,367</b>

## Notes to the Consolidated Financial Statements

### 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

#### Balance sheet of the Company

		As at 31 December	
	Note	2021	2020
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		11,620	13,429
Right-of-use assets		3,229	3,464
Investments in subsidiaries		2,004,156	2,024,156
Investments accounted for using the equity method		178,012	170,261
Financial assets at fair value through other comprehensive income		250,496	222,568
		<b>2,447,513</b>	2,433,878
<b>Current assets</b>			
Other receivables and prepayments		115,160	41,968
Deferred income tax assets		–	2,425
Loans to joint ventures		25,000	245,109
Cash and cash equivalents		882,948	727,855
		<b>1,023,108</b>	1,017,357
<b>Total assets</b>		<b>3,470,621</b>	3,451,235
<b>EQUITY</b>			
Share capital and premium		1,035,874	1,044,097
Other reserves	(a)	398,057	356,890
Retained earnings	(a)	1,032,966	850,975
<b>Total equity</b>		<b>2,466,897</b>	2,251,962
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		4,557	–
<b>Current liabilities</b>			
Amounts due to subsidiaries		949,699	1,150,140
Other payables		43,572	43,237
Current income tax liabilities		5,896	5,896
		<b>999,167</b>	1,199,273
<b>Total liabilities</b>		<b>1,003,724</b>	1,199,273
<b>Total equity and liabilities</b>		<b>3,470,621</b>	3,451,235

The balance sheet of the Company was approved by the Board of Directors on 25 March 2022 and was signed on its behalf.

**Mr. Pang Baogen**  
Director

**Mr. Gao Jiming**  
Director

### 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

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

	Other reserves		Retained earnings	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	<b>356,890</b>	218,506	<b>850,975</b>	813,755
Profit for the year	–	–	<b>202,212</b>	41,356
Disposal of a subsidiary	–	138,470	–	–
Transfer to statutory surplus reserve	<b>20,221</b>	4,136	<b>(20,221)</b>	(4,136)
Revaluation of financial assets at FVOCI, net of tax	<b>20,946</b>	(4,222)	–	–
<b>At 31 December</b>	<b>398,057</b>	356,890	<b>1,032,966</b>	850,975

## Notes to the Consolidated Financial Statements

### 40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

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

The remuneration of each director and supervisor for the year ended 31 December 2021 was set out below:

	Fees RMB'000	Salaries, bonuses and allowances RMB'000	Contribution to a retirement benefit scheme RMB'000	Total RMB'000
<i>Chairman and executive director</i>				
Mr. Pang Baogen (i)	100	1,400	-	1,500
<i>Other executive directors</i>				
Mr. Gao Lin	100	1,000	26	1,126
Mr. Gao Jiming	100	800	13	913
Mr. Gao Jun	100	800	17	917
Mr. Jin Jixiang	100	800	13	913
<i>Non-executive directors</i>				
Mr. Fung Ching, Simon	216	-	-	216
<i>Independent non-executive directors</i>				
Mr. Chan Yin Ming, Dennis	216	-	-	216
Mr. Li Wangrong	50	-	-	50
Ms. Liang Jing	50	-	-	50
<i>Supervisors</i>				
Mr. Kong Xiangquan	-	260	-	260
Mr. Xu Gang	-	500	13	513
Mr. Wang Jianguo	-	500	17	517
Mr. Zhang Xindao	50	-	-	50
Mr. Xiao Jianmu	50	-	-	50
	1,132	6,060	99	7,291

## 40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

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

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

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

- (i) Mr. Pang Baogen is the Chairman of the Board, as well as the chief executive of the Group.
- (ii) No emoluments was paid or receivable in respect of directors' and supervisors' other services in connection with the management of the Company or its subsidiary undertaking during the year.

During the years ended 31 December 2021 and 2020, no director and supervisor waived any emoluments. Neither incentive payment for joining the Group nor compensation for loss of office was paid or payable to any directors and supervisors during the years ended 31 December 2021 and 2020.

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

## **40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS** (CONTINUED)

### **(b) Directors' and supervisors' retirement benefits**

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

### **(c) Directors' and supervisors' termination benefits**

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

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

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

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

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

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

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

# GLOSSARY

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

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

## GLOSSARY

Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
Property Development Business	The activities of development of real estate conducted by the Group
SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisory Committee	The Supervisory Committee of the Company
The Company/Baoye	Baoye Group Company Limited, a joint stock limited company incorporated in the PRC and listed on the main board of the Stock Exchange
The Group/Baoye Group	The Company and its subsidiaries



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