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

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

(Stock Code: 2355)

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Baoye Group Company Limited\* (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2021. The following financial information is extracted from the audited consolidated financial statements as set out in the Group’s 2022 Annual Report.

\* For identification purposes only

## CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2022	2021
	Note	RMB'000	RMB'000
<b>Revenue</b>	4	<b>24,425,350</b>	26,781,555
Cost of sales		<u>(22,625,522)</u>	<u>(24,635,560)</u>
<b>Gross profit</b>		<b>1,799,828</b>	2,145,995
Other income	5	<b>211,338</b>	177,110
Other gains – net	6	<b>73,892</b>	97,695
Selling and marketing costs		<b>(143,044)</b>	(191,512)
Administrative expenses		<b>(699,034)</b>	(755,869)
Net impairment losses on financial and contract assets		<u>(163,815)</u>	<u>(127,560)</u>
<b>Operating profit</b>		<b>1,079,165</b>	1,345,859
Finance income		<b>15,845</b>	12,900
Finance costs		<b>(20,291)</b>	(91,552)
Finance costs – net		<b>(4,446)</b>	(78,652)
Share of results of investments accounted for using the equity method		<u><b>83,828</b></u>	<u>25,085</u>
<b>Profit before income tax</b>		<b>1,158,547</b>	1,292,292
Income tax expenses	7	<u><b>(437,142)</b></u>	<u>(406,918)</u>
<b>Profit for the year</b>		<u><b>721,405</b></u>	<u>885,374</u>
<b>Profit attributable to:</b>			
– Owners of the Company		<b>704,777</b>	788,477
– Non-controlling interests		<u><b>16,628</b></u>	<u>96,897</u>
		<u><b>721,405</b></u>	<u>885,374</u>
<b>Earnings per share for profit attributable to owners of the Company</b>			
– Basic and diluted (expressed in RMB yuan per share)	8	<u><b>1.30</b></u>	<u>1.40</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
<b>Profit for the year</b>	<b>721,405</b>	885,374
<b>Other comprehensive income/(loss):</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(3,640)	4,076
<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	(18,819)	102,190
<b>Total other comprehensive income/(loss) for the year, net of tax</b>	<b>(22,459)</b>	106,266
<b>Total comprehensive income for the year</b>	<b>698,946</b>	991,640
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	682,318	894,743
– Non-controlling interests	16,628	96,897
<b>Total comprehensive income for the year</b>	<b>698,946</b>	991,640

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2022	2021
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,146,542	2,979,776
Right-of-use assets		758,540	705,160
Investment properties		758,548	763,934
Intangible assets		388,147	388,147
Investments accounted for using the equity method	10	402,735	381,708
Trade and other receivables	11	398,210	632,676
Financial assets at fair value through other comprehensive income		338,603	363,694
Financial assets at fair value through profit or loss		7,144	6,948
Deferred income tax assets		346,815	303,794
		<u>6,545,284</u>	<u>6,525,837</u>
<b>Current assets</b>			
Inventories		265,029	283,715
Properties under development		14,177,763	14,938,687
Completed properties held for sale		4,170,578	2,228,468
Contract assets	4(b)	6,889,311	7,226,715
Trade and other receivables	11	7,317,784	7,835,106
Financial assets at fair value through profit or loss		54,000	481,600
Restricted bank deposits		1,274,090	1,263,180
Term deposits with initial term of over three months		377,942	318,452
Cash and cash equivalents		7,748,703	7,813,911
		<u>42,275,200</u>	<u>42,389,834</u>
<b>Total assets</b>		<u><b>48,820,484</b></u>	<u><b>48,915,671</b></u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2022	2021
	Note	RMB'000	RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and premium		890,230	1,035,874
Other reserves		320,099	335,484
Retained earnings		10,192,558	9,494,855
		<u>11,402,887</u>	<u>10,866,213</u>
<b>Non-controlling interests</b>		<u>451,708</u>	<u>482,960</u>
<b>Total equity</b>		<u>11,854,595</u>	<u>11,349,173</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings		586,540	963,225
Lease liabilities		13,975	15,547
Deferred income tax liabilities		215,633	206,658
		<u>816,148</u>	<u>1,185,430</u>
<b>Current liabilities</b>			
Contract liabilities	4(b)	16,612,513	16,767,601
Trade and other payables	12	16,824,546	16,256,918
Lease liabilities		2,745	1,599
Bank and other borrowings		2,391,596	3,089,121
Current income tax liabilities		318,341	265,829
		<u>36,149,741</u>	<u>36,381,068</u>
<b>Total liabilities</b>		<u>36,965,889</u>	<u>37,566,498</u>
<b>Total equity and liabilities</b>		<u>48,820,484</u>	<u>48,915,671</u>

*Notes:*

**1. GENERAL INFORMATION**

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

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

The principal activities of the Company and its subsidiaries (collectively the “**Group**”) are the provision of construction services, 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 27 March 2023.

**2. BASIS OF PREPARATION**

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

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

**3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to HKFRS 3.
- Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendment to HKFRS 16 (March 2021), and
- Amendments to AG 5 Merger Accounting for Common Control Combinations.

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

**(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 2022 reporting period and have not been early adopted by the Group. The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

		<b>Effective for accounting periods beginning on or after</b>
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
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
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 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

#### 4. SEGMENT INFORMATION

The segment information was as follows:

	Year ended 31 December 2022				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Revenue from contracts with customers	19,002,359	4,533,460	3,345,079	613,067	27,493,965
Revenue from other sources					
Rental income	–	–	–	132,146	132,146
Total segment revenue	19,002,359	4,533,460	3,345,079	745,213	27,626,111
Less: inter-segment revenue	(1,707,852)	(63,526)	(1,024,728)	(404,655)	(3,200,761)
<b>Revenue (from external customers)</b>	<b>17,294,507</b>	<b>4,469,934</b>	<b>2,320,351</b>	<b>340,558</b>	<b>24,425,350</b>
<b>Operating profit</b>	<b>320,388</b>	<b>606,539</b>	<b>141,268</b>	<b>10,970</b>	<b>1,079,165</b>
Depreciation	77,867	13,970	145,738	67,952	305,527
Net impairment losses/(reversal of impairment losses) on financial assets and contract assets	185,956	7,187	(30,376)	1,048	163,815
	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
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

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

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

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

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from provision of construction services:		
– Recognised over time	<b>17,294,507</b>	21,640,032
Revenue from sale of properties:		
– Recognised at a point in time	<b>4,469,934</b>	2,361,342
– Recognised over time	–	4,396
	<b>4,469,934</b>	2,365,738
Revenue from sale of building materials:		
– Recognised at a point in time	<b>1,112,716</b>	842,549
– Recognised over time	<b>1,207,635</b>	1,496,416
	<b>2,320,351</b>	2,338,965
Others:		
– Recognised at a point in time	<b>181,729</b>	259,548
– Recognised over time	<b>26,683</b>	26,973
	<b>208,412</b>	286,521
Revenue from other sources:		
– Rental income	<b>132,146</b>	150,299
	<b>24,425,350</b>	26,781,555

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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Relating to construction services	<b>6,451,366</b>	6,770,224
Relating to installation of building materials	<b>521,059</b>	498,648
	<b>6,972,425</b>	7,268,872
Less: provision for loss allowance	<b>(83,114)</b>	(42,157)
Total contract assets	<b>6,889,311</b>	7,226,715

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.

Details of contract liabilities are as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Related to construction services	<b>3,432,701</b>	3,356,386
Related to sale of properties	<b>12,633,107</b>	12,882,996
Related to sale of building materials	<b>546,705</b>	528,219
	<hr/>	<hr/>
Total contract liabilities	<b><u>16,612,513</u></b>	<u>16,767,601</u>

Contract liabilities of the Group mainly arose from the advance payments made by customers while the underlying properties, goods or services are yet to be delivered or provided.

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

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue recognised that was included in the contract liabilities		
balance at the beginning of the year		
– Provision of construction services	<b>1,461,247</b>	1,386,929
– Sale of properties	<b>3,628,820</b>	1,912,371
– Sale of building materials	<b>294,638</b>	259,232
	<hr/>	<hr/>
	<b><u>5,384,705</u></b>	<u>3,558,532</u>

Unsatisfied contracts are:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Expected to be recognised within one year	<b>23,187,718</b>	22,579,843
Expected to be recognised after one year	<b>43,863,453</b>	42,078,496
	<hr/>	<hr/>
Total transaction price allocated to the unsatisfied contracts as of 31 December	<b><u>67,051,171</u></b>	<u>64,658,339</u>

## 5. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income on		
– Financial assets held as investments	176,047	140,688
– Advances to project managers and joint ventures	35,291	36,422
	<u>211,338</u>	<u>177,110</u>

## 6. OTHER GAINS – NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants and compensation	38,205	50,211
Gains on disposal of financial assets at FVPL	20,470	24,621
Fair value losses of investment properties	(5,386)	(1,035)
Fair value gains of financial assets at FVPL	196	196
Gains on disposal of property, plant and equipment	10,129	1,411
Donations	(4,965)	(3,274)
Net foreign exchange (losses)/gains	(1,172)	13,062
Others	16,415	12,503
	<u>73,892</u>	<u>97,695</u>

## 7. INCOME TAX EXPENSES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax		
– PRC CIT	257,157	372,900
– Land appreciation tax	207,759	63,335
	<u>464,916</u>	<u>436,235</u>
Deferred income tax		
– PRC CIT	(26,039)	(29,261)
– Land appreciation tax	(1,735)	(56)
	<u>(27,774)</u>	<u>(29,317)</u>
	<u>437,142</u>	<u>406,918</u>

**(a) Hong Kong profits tax**

No provision for Hong Kong profits tax has been made as the Group had no assessable profit for the year (2021: 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% (2021: 25%).

**(c) PRC land appreciation tax**

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

**8. EARNINGS PER SHARE**

Basic earnings per share are 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.

	2022	2021
Profit attributable to owners of the Company ( <i>RMB’000</i> )	<u>704,777</u>	<u>788,477</u>
Weighted average number of ordinary shares in issue during the year ( <i>thousands shares</i> )	<u>542,357</u>	<u>561,589</u>
Basic earnings per share ( <i>RMB yuan</i> )	<u>1.30</u>	<u>1.40</u>

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

**9. DIVIDENDS**

The board of directors did not recommend any payment of final dividend for the year ended 31 December 2022 (2021: Nil).

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Investments in joint ventures (a)	344,821	285,093
Investments in associates (b)	57,914	96,615
	<u>402,735</u>	<u>381,708</u>
 <b>(a) Investments in joint ventures</b>		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	285,093	462,799
Additions	4,391	7,153
Transfer to investments in subsidiaries	–	(161,859)
Share of results	55,337	(23,000)
	<u>344,821</u>	<u>285,093</u>
At 31 December	344,821	285,093
Represented by share of net assets	<u>344,821</u>	<u>285,093</u>
 <b>(b) Investments in associates</b>		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	96,615	213,970
Disposal	(67,192)	–
Transfer to investments in subsidiaries	–	(165,440)
Share of results	28,491	48,085
	<u>57,914</u>	<u>96,615</u>
At 31 December	57,914	96,615
Represented by share of net assets	<u>57,914</u>	<u>96,615</u>

As at 31 December 2022, 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.

## 11. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current assets</b>		
Loans to joint ventures (a)	398,210	404,226
Loans to associates (b)	–	228,450
	<u>398,210</u>	<u>632,676</u>
<b>Current assets</b>		
Trade receivables (c)	4,795,758	4,977,224
Other receivables and prepayments (d)	2,283,464	2,632,358
Loans to joint ventures (a)	96,182	81,865
Loans to associates (b)	142,380	143,659
	<u>7,317,784</u>	<u>7,835,106</u>

### (a) Loans to joint ventures

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	491,363	687,182
Additions	15,000	56,734
Interest accrued	2,252	2,401
Repayments	(3,750)	(254,954)
	<u>504,865</u>	<u>491,363</u>
Less: provision for loss allowance	(10,473)	(5,272)
	<u>494,392</u>	<u>486,091</u>
At 31 December	494,392	486,091
Less: current portion	(96,182)	(81,865)
	<u>398,210</u>	<u>404,226</u>

RMB73,005,000 (2021: RMB59,504,000) of loans to joint ventures are interest-bearing at interest rates range from 4% per annum to 8% per annum (2021: 4% per annum to 5.22% per annum), and the remaining amounts of the loans are interest-free, unsecured and repayable on demand.

**(b) Loans to associates**

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	375,175	238,145
Additions	–	137,030
Repayments	<u>(232,497)</u>	<u>–</u>
	<b>142,678</b>	375,175
Less: provision for loss allowance	<u>(298)</u>	<u>(3,066)</u>
At 31 December	<b>142,380</b>	372,109
Less: current portion	<u>(142,380)</u>	<u>(143,659)</u>
Non-current portion	<u>–</u>	<u>228,450</u>

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

**(c) Trade receivables**

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	5,332,120	5,402,402
Less: provision for loss allowance	<u>(536,362)</u>	<u>(425,178)</u>
	<b>4,795,758</b>	<b>4,977,224</b>

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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	1,755,114	1,544,136
3 months to 1 year	1,729,791	2,110,377
1 to 2 years	1,026,272	837,362
2 to 3 years	380,456	605,724
Over 3 years	<u>440,487</u>	<u>304,803</u>
	<b>5,332,120</b>	<b>5,402,402</b>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2022, a provision of RMB536,362,000 (2021: RMB425,178,000) was made against the gross amount of trade receivables.

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

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

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Denominated in:		
– RMB	<b>5,243,364</b>	5,328,745
– Other currencies	<b>88,756</b>	73,657
	<b><u>5,332,120</u></b>	<u>5,402,402</u>

As at 31 December 2022, the carrying value of trade receivables approximated their fair value.

**(d) Other receivables and prepayments**

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Other receivables:		
– Retention money and project deposits	<b>635,394</b>	645,135
– Advances to project managers	<b>139,856</b>	127,677
– Others	<b>265,237</b>	277,517
	<b><u>1,040,487</u></b>	<u>1,050,329</u>
Less: provision for loss allowance	<b>(14,925)</b>	(5,682)
	<b><u>1,025,562</u></b>	<u>1,044,647</u>
Prepayments:		
– Prepayments for land use rights for property development	<b>840,509</b>	1,206,298
– Prepaid income taxes	<b>342,952</b>	212,178
– Prepayments for buy-back of shares	–	76,487
– Others	<b>74,441</b>	92,748
	<b><u>1,257,902</u></b>	<u>1,587,711</u>
Other receivables and prepayments	<b><u>2,283,464</u></b>	<u>2,632,358</u>

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

As at 31 December 2022, the carrying value of other receivables approximated their fair value.

As at 31 December 2022, the carrying amounts of other receivables and prepayments were mainly denominated in RMB.

## 12. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables (a)	9,732,569	8,931,312
Other payables (b)	7,091,977	7,325,606
	<u>16,824,546</u>	<u>16,256,918</u>

### (a) Trade payables

As at 31 December 2022, the ageing analysis of the trade payables based on invoice date was as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	4,162,807	4,068,131
3 months to 1 year	3,476,631	3,040,874
1 to 2 years	1,102,236	998,595
2 to 3 years	702,380	619,628
Over 3 years	288,515	204,084
	<u>9,732,569</u>	<u>8,931,312</u>

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

### (b) Other payables

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Deposits from project managers	3,600,955	3,095,360
Amounts due to non-controlling interests (i)	542,945	1,071,237
Prepayments from government for housing demolition and relocation (ii)	794,922	780,361
Deposits from property purchasers	493,439	580,364
Other taxes payables	546,629	704,597
Salaries payables	85,912	93,174
Others	1,027,175	1,000,513
	<u>7,091,977</u>	<u>7,325,606</u>

(i) Amounts due to 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 is used for paying housing demolition and relocation cost in relation to clearing a land owned by the Group to be sold to the government.

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

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on 16 June 2023 (the “**AGM**”). The notice of the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 17 May 2023 to 16 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 16 May 2023.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results Review**

For the year ended 31 December 2022, the Group achieved a consolidated revenue of approximately RMB24,425,350,000 (2021: RMB26,781,555,000), representing a decrease of approximately 8.8% compared to the previous year; operating profit reached approximately RMB1,079,165,000 (2021: RMB1,345,859,000), representing a sharp decrease of approximately 19.8% compared to last year; profit attributable to owners of the Company amounted to approximately RMB704,777,000 (2021: RMB788,477,000), representing a decrease of approximately 10.6% compared to the previous year, earnings per share was RMB1.30 (2021: RMB1.40), representing a decrease of approximately 7.1% compared to the previous year

In 2022, the Group’s revenue and operating profit decreased to a greater extent primarily due to factors which include the severe epidemic prevention and control measures, the continuous decline of the real estate market and increasing downward pressure on the economy. In response, the Company is committed to improving the efficiency of its internal management, especially in building construction. In order to ensure construction quality and safety, the Company focuses on improving the quality of employees and cultivating a new era of construction industrial workers during this period of industry downturn. At the same time, the Company will continue to optimize its business structure by leveraging on the industry leading position of the Company’s industrialized construction, the pilot EPC company and the comprehensive qualification, to capitalize on key market opportunities, and form a systematic marketing synergy of “headquarters, regional companies and branches” within the Group, and continuously improving its market development capability.

## Revenue

	For the year ended 31 December				Change
	2022		2021		
	RMB'000	% of total	RMB'000	% of total	
Construction	17,294,507	71%	21,640,032	81%	-20%
Property Development	4,469,934	18%	2,365,738	9%	89%
Building Materials	2,320,351	10%	2,338,965	9%	-1%
Others	340,558	1%	436,820	1%	-22%
Total	<u>24,425,350</u>	<u>100%</u>	<u>26,781,555</u>	<u>100%</u>	<u>-9%</u>

## Operating profit

	For the year ended 31 December				Change
	2022		2021		
	RMB'000	% of total	RMB'000	% of total	
Construction	320,388	30%	570,250	42%	-44%
Property Development	606,539	56%	610,533	45%	-1%
Building Materials	141,268	13%	145,117	11%	-3%
Others	10,970	1%	19,959	2%	-45%
Total	<u>1,079,165</u>	<u>100%</u>	<u>1,345,859</u>	<u>100%</u>	<u>-20%</u>

## Operating Profit Margin

	For the year ended 31 December			Change
	2022	2021		
Construction	1.9%	2.6%	-27%	
Property Development	13.6%	25.8%	-47%	
Building Materials	6.1%	6.2%	-2%	
Others	3.2%	4.6%	-30%	

## Construction Business

For the year ended 31 December 2022, the Group's construction business achieved revenue of approximately RMB17,294,507,000, representing a decrease of approximately 20% over last year; operating profit amounted to approximately RMB320,388,000, representing a substantial decrease of approximately 44% over last year. The decrease in revenue and operating profit of the construction business was mainly due to the special impairment accounted for the Group's trade receivables and contract assets with some real estate development companies with elevated credit risk.

In 2022, the government made continuous investment efforts to stimulate the economic growth. The Group benefitted greatly from the influx of government investment projects and acquired new construction orders of approximately RMB20.9 billion in 2022 (2021: RMB19.6 billion). Especially in the Zhejiang region where its business is deeply cultivated, new orders from government and public building increased obviously compared with last year, such as Keqiao Maan Hospital, Keqiao Talent Apartment, Shaoxing Campus of Zhejiang Financial Vocational College, Shengzhou Tinghu Education Center, Shaoxing Disease Prevention and Control Center Comprehensive Building, Shangyu Wellness Center Construction Project, Tonglu Hikvision Global Storage Center, Pingyang County Maternal and Child Health Hospital and Public Health Building, and a large number of representative projects, while cooperating with state enterprises and jointly undertaking the Keqiao Future Hospital Center project.

The Group focuses on brand building. It was the leader of all competitions in industry awards during the year, which helped to enhance the Group's reputation. In 2022, the Group received a total of 53 awards. The key awards are appended as follows:

<b>Projects Name</b>	<b>Awards</b>
Ruifeng Bank Building	Luban Award
Ruifeng Bank Building	Qianjiang Cup
China Textile Times Building	Qianjiang Cup
Baoye Active Paradise	Baiyulan Cup
Xincheng • Puyuemendi	Chutian Cup
Nanshan • Tianyue	High-quality Construction Projects of Hubei Province

<b>Projects Name</b>	<b>Awards</b>
Baoyi • Future Changjiang Town	High-quality Structure of Hubei Province
Nanshanzongheng • Binjiang	High-quality Structure of Hubei Province
Xingfa Group Yichang Headquarter	High-quality Structure of Hubei Province
Laoguancun Urban Village Transformation	High-quality Structure of Hubei Province
Hefei Childhood Teacher Training 7# Student Residence	High-quality Structure of Hefei City

## **Property Development Business**

### *Property Sales*

For the year ended 31 December 2022, revenue of the Group's property development business amounted to approximately RMB4,469,934,000, representing a significant increase of approximately 89% from last year. Operating profit amounted to approximately RMB606,539,000, which remained similar compared with last year. The increase in revenue from the property development business was mainly due to the significant increase in areas recognised during the year compared to the last year, while the lack of growth in operating profit was mainly due to the lower profit margins of projects delivered during the year.

For the year ended 31 December 2022, revenue of property sales was mainly derived from the following projects, details of which are set out below:

<b>Project</b>	<b>Location</b>	<b>Average Selling Price (RMB/Sqm)</b>	<b>Floor Areas Sold (Sqms)</b>	<b>Revenue (RMB'000)</b>
Baoye Huajie Fengqing	Lishui	8,108	158,578	1,285,783
Baoye Active Hub	Shanghai	39,353	27,880	1,097,160
Baoye Binghu Green Garden	Mengcheng	6,100	104,122	635,188
Baoye Yuzhu Project	Wuhan	5,951	55,416	329,805
Baoye Junyue Green Garden	Lu'an	5,616	49,496	277,952

For the year ended 31 December 2022, the sales contracts of the Group's property development business amounted to approximately RMB2.88 billion (2021: RMB5.15 billion) and a contract sale areas of approximately 234,706 square metres, excluding the property sales registered under joint ventures, as they will be progressively completed, delivered and recognised as revenue in the next two to three years.

### *Projects under development*

As at 31 December 2022, the Group's projects under development are set out below:

<b>Project Name</b>	<b>Location</b>	<b>Total GFA Under Development (Sqms)</b>	<b>Equity Interest of the Group</b>
Baoye Four Seasons Garden	Shaoxing	257,847	100%
Daban Green Garden	Shaoxing	145,700	100%
Xialv Project·Yunxili	Shaoxing	214,970	60%
Fengyue Shangzhu	Hangzhou	49,497	100%
Xishan Yueyuan	Lishui	116,905	100%
Lishui Weicun Project	Lishui	124,655	100%
Baoye Phoenix One	Ningbo	84,005	100%
Baoye Qingchun Li	Shanghai	36,289	100%
Active Paradise	Shanghai	65,001	100%
Xingyu Fu	Wuhan	Under Planning	100%
Huangpi Phoenix One	Wuhan	102,015	100%
Shidai Green Garden	Mengcheng	149,994	60%
Binhe Green Garden	Mengcheng	Under Planning	100%
Yinhe 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	115,633	100%
Xuefu Green Garden	Sixian	Under Planning	100%
Yeji Jiangnan Fu	Lu'an	98,451	70%
Qinglan Green Garden	Bozhou	404,465	51%

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a “province-rank” resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilization flourished. As the origin of many myths and folklores, this area has not only profound cultural tradition but also a large number of historical heritages. Being only 5 kilometres from the downtown of Shaoxing City, it is known as the “natural treasure in the heart of a city”. Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres and a planned gross floor area of approximately 650,000 square metres for the development of deluxe villas, semi-detached villas and town houses, all fully equipped with supporting facilities, such as a golf club, a five-star resort hotel, two leisure parks, a sport park, a shopping arcade, a kindergarten and a central lakeside garden. There are a few units of houses remaining for sale under Phase I. Phase II is currently under planning consisting of approximately 257,847 square meters. The first-batch of terrace houses, semi-detached houses and villas are under presale.

Daban Green Garden, located in Keqiao District, Shaoxing City, Zhejiang Province, has a site area of 80,945 square meters and a plot ratio of 1.8. The above ground building area is about 145,700 square metres, and the underground building area is about 100,000 square metres. The project will be built in a prefabricated assembly method and be 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 residential project in the Banhu area of Keqiao. Presale began in May 2020 and the project was highly sought after despite the challenging market conditions. The project was delivered to owners in the first half of 2023.

Xialv Project consists of three separate parcels of land with a total cost of RMB511,036,354 and a total site area of 262,862 square meters, of which the Group holds a 60% interest. The Group acquired the land use rights through public judicial auction in 2017. One of the three parcels of land, Baoye Yunxili, will be developed in two phases. The first phase is basically sold out and the second phase is under presale and expected to be delivered in 2023.

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

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 and multi-storey buildings with well decorated and non-decorated units, some of which will be built by the Company's one-hundred-year construction technology. A subsidiary of the Company acquired this land use right in August 2021 at a total consideration of RMB510,000,000. The project will be developed in two phases. The first phase started presale in October 2022 and is currently on presale.

Lishui Weicun Project, located in Liandu District, Lishui City, Zhejiang Province, has a site area of approximately 45,949 square meters and a total gross floor area of approximately 124,655 square meters. A subsidiary of the Company secured this parcel of land use right in June 2022 at a total consideration of RMB270,000,000. A portion of the project will be sold to the local community, whose homes were being demolished as part of the construction process, at specified concessional prices. The project will be developed in two phases. The presale of the first phase started in late 2022. The project will be delivered in 2025.

Baoye Phoenix One is located in Ningbo City, Zhejiang Province. The Group obtained it through a judicial auction in August 2020 at a total consideration of RMB332,952,898. The project has a total site area of 26,958 square meters and a saleable area of 84,005 square meters. The project is composed of apartments and offices surrounded by convenient transportation and mature supporting facilities. The project will become a new generation of urban center integrating youth creativity, business office, ecological livability, and urban parks. The project started presale in May 2021 and only a few apartments remain for sale. The project will be delivered in March 2023.

Baoye Qingchunli is located in Qingcun Town, Fengxian District, Shanghai. The project covers a site area of approximately 13,102 square meters with a gross floor area of 36,289 square meters and a plot ratio of 1.8. The Group obtained this parcel of land use right at a total consideration of RMB312,000,000 in November 2020. The project is built with a new industrialized prefabricated assembly technology, by the global leading German brand, Vollert's fully imported production line, and will be delivered with an overall refined decoration. 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 parcel of land use right at a total consideration of RMB568,600,000 in August 2021. Adhering to the idea of "building a house like assembling a car", the project is constructed using an industrialized prefabricated assembly construction method with a fully imported production line of by the global leading German brand, Vollert. The project is now under presale.

Xingyu Fu project, located in Xinzhou District, Wuhan City, Hubei Province, has a total site area of 129,528 square meters. The Group acquired this parcel of land use right in December 2017 at a consideration of RMB780,000,000. The project is planned to be developed in three phases while Phase I had been delivered in 2022 and Phase II and III are still under planning.

Huangpi Phoenix City, located in Huangpi District, Wuhan City, Hubei Province, has a gross floor area of approximately 102,015 square meters, including approximately 74,409 square meters of saleable residential area and some commercial units and parking areas. A subsidiary of the Company holds 100% equity of the project company by acquisition of the 40% equity held by the project partner. The project is under presale and will be delivered in 2023.

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

Mengcheng Binhe Ivyuan, located in Mengcheng City, Anhui Province, has a site area of approximately 76,503 square meters. A subsidiary of the Company acquired this parcel of land use rights in May 2022 at a total consideration of RMB240,990,000. The project will start presale in 2023.

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

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

Baoye Longhu Yucheng is located in a prime area of Eastern New City, Xiangfu District, Kaifeng City, Henan Province. It has a total site area of approximately 648,000 square metres and an estimated gross floor area of approximately 972,000 square metres. After completion, it will become the city's new business centre and leisure centre. The project will be developed in five phases. The first and the second phases has commenced delivery to owners, and only a few units remain for sale. The third phase is currently under presale.

Baoye Junyue Green Garden is located in Lu'an City, Anhui Province. The project was acquired by the Group through a judicial auction in September 2017. This part has a total site area of approximately 54,220 square meters, and a gross floor area of approximately 129,665 square meters which were delivered at the end of 2020. Construction of the commercial segment with a site area of approximately 7,220 square meters has been finished. The surrounding transportation of the project is convenient, the supporting facilities are well-developed, and there are parks, banks, shopping malls and other commercial facilities. In February 2019, the project company obtained another land use right with a total site area of approximately 11,947 square meters on the west side of the project, which consists of 21 high-rise buildings and will be developed in two phases. Phase I was delivered in July 2022, and Phase II is currently under presale.

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

Sizhou Green Garden is located in the Economic Development Zone of Sixian County, Suzhou City, Anhui Province. In May 2019, the Group acquired the land parcel A and B with a total site area of approximately 46,888 square meters and a gross floor area of approximately 124,907 square meters at a total consideration of RMB113,500,000 through public auction. In April 2020, the Group acquired the land parcel C with a total site area of approximately 42,007 square meters at a total consideration of RMB107,120,000 through public auction. This project enjoys well-developed facilities, convenient transportation and education resources. The land parcel B was delivered in 2021 and the land parcel A was delivered in January 2023. The land parcel 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 this land use right in June 2021 through public auction at a total consideration of RMB300,000,000. The project is currently under planning.

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

Qinglan Green Garden, located in Lixin County, Bozhou City, Anhui Province, has a site area of approximately 171,179 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. The project is currently under presale.

### **New Land Reserve**

During the year of 2022, the newly acquired land reserve is tabulated below:

<b>Time</b>	<b>Location</b>	<b>Cost</b> <i>(RMB'000)</i>	<b>Land area</b> <i>(Sqms)</i>	<b>Equity</b>
May, 2022	Mengchen County, Bozhou City, Anhui Province	240,990	76,503	100%
June, 2022	Lishui City, Zhejiang Province	270,000	45,949	100%
December, 2022	Yichang City, Hubei Province	455,100	73,405	100%
December, 2022	Wuhan City, Hubei Province	1,199,900	45,582	100%

With regards to the new land reserve, the Group will continue to adopt a prudent but proactive attitude and adhere to the philosophy of prudent operation and innovative operating 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. In the future, the Group will extensively evaluate comprehensive factors such as the overall debt level of local governments, population inflow and outflow, and manufacturing development in the region in our land acquisition strategy.

### **Building Materials Business**

For the year ended 31 December 2022, revenue of the Group's building materials business amounted to approximately RMB2,320,351,000, maintaining a similar level compared with last year; operating profit was approximately RMB141,268,000, keeping a similar level compared with last year.

For the year ended 31 December 2022, revenue from the Group's building materials is analysed below:

	For the year ended 31 December				Change
	2022		2021		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Curtain Wall	<b>1,101,173</b>	<b>47%</b>	1,333,782	57%	-17%
Ready-mixed Concrete	<b>180,894</b>	<b>8%</b>	171,188	7%	6%
Furnishings and Interior Decorations	<b>230,574</b>	<b>10%</b>	228,152	10%	1%
Wooden Products and Fireproof Materials	<b>90,607</b>	<b>4%</b>	102,222	4%	-11%
PC assembly plate	<b>490,695</b>	<b>21%</b>	268,585	12%	83%
Steel structure	<b>26,957</b>	<b>1%</b>	27,575	1%	-2%
Others	<b>199,451</b>	<b>9%</b>	207,461	9%	-4%
Total	<b><u>2,320,351</u></b>	<b><u>100%</u></b>	<b><u>2,338,965</u></b>	<b><u>100%</u></b>	<b><u>-1%</u></b>

In 2022, the building materials business operating environment faced with difficult challenges due to the impact of the epidemic and collapse of a number of real estate companies relating to the upstream building materials business. The Group always adhered to its green and low-carbon product line, maintained a certain percentage of investment in research and development each year, and overcame the difficulties by enhancing key technologies and core competitiveness of its products, and achieved essentially the same operating revenue and operating profit as last year.

### Construction stone mining rights

As disclosed in the Company's announcement dated 27 June 2022, Yichang Baoye Mining Company Limited, a wholly-owned subsidiary of the Company, won the construction stone mining rights located in Yichang City, Hubei Province at a total consideration of RMB371,613,000 for a term of 23 years with a mine area of approximately 0.3323 square kilometres. According to the Geological Survey Report of Caijiawan Limestone for Construction of Yichang Baoye Mining Company Limited and the review filing reply letter and the review opinion, the mining right area of Caijiawan Limestone for Construction Stone of Yichang Baoye Mining Company Limited identified a retained ore resource of 52.848 million tons of limestone for construction. As at 31 December 2022, the mine was still under infrastructure construction and had not yet commenced mineral mining work, which is expected to commence in the second half of 2023.

## **BUSINESS PROSPECT**

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

In the future, the construction industry will continue to shift from the competition of production capabilities to the competition of inventory capacities, which means that large construction enterprises with advantages in qualification, capital, technical strength, cost control, etc. are more likely to dominate in the fierce competition and gain a larger market share. In the past few years, the central and state-owned enterprises conquered the market with its resources, capital, talent, technology and other advantages, from the first-tier cities down to medium-sized and small cities, further endangering the survival of small and medium-sized construction enterprises. The private enterprises are limited by their capital, financing ability and technology capability, so their proportion of real estate businesses with a lower entry threshold is relatively high. Further, their bargaining power of the construction fee chargeable to clients is weak. The pressure of cash flow requirements is high, and the liquidity risk of real estate is also affecting the construction industry. All of these accelerate the elimination of small and medium-sized construction enterprises and intensifying differentiation within the industry.

The Group's construction business always adheres to the concept of high-quality development. After nearly fifty years of effort, we have accumulated a little experience, a little capital, acquired some talent along the way, and with a little luck, we are fortunate to be regarded as one of the top construction enterprises and capitalize on China's great infrastructure. We cherish this achievement. Looking ahead, especially with the shift in China's anti-epidemic policies and the general economic rebound, the Company will also continue to strive to optimize asset allocation and operational efficiency in order to seize the opportunities brought by the industry adjustment.

### **Property development business contributes substantial profit for the Group**

In recent years, with the development of China's economy, demographic and urbanization, many historical trends in the internal pattern of the housing system have changed, and more complex issues and dynamics have emerged in China's real estate industry. During the past two decades of rapid development of the real estate industry, real estate enterprises focused on financials, and the industry-wide opportunities brought by rising housing prices far outweighed the advantages of focusing on fine-tuned quality management and cost control, and both real estate enterprises and customers benefited from high leverage. However, when the housing price increase in first-tier cities and most large and medium-sized cities far outpaces economic growth and residents' income, and at the same time the Chinese economy is confronted with a declining birth rate, a three-year epidemic and trade conflicts with foreign countries. As such, the turbulence in the real estate industry will severely impact China's finance, economy and even society. Fortunately, the Company's property development business always maintains a refined operation. We believe that as the industry development model converts from a resource-driven one in the early stages to a leverage-driven one in the middle stage and is now gradually entering an operation-driven one, the market will reshuffle and only operators with

comprehensive and refined operations will survive and strive in the new environment where only the fittest survives. The Group's property development business will extend the supply chain service and management of 80,000 parts of "Century-lasting House", gain insight into customers' demand for higher quality housing, optimize the product structure, and continue to improve its organization processes and industrialized Century-lasting House system around the improvement of operation efficiency, and strive towards the goal of building Baoye into a century-old brand.

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

Industrialization of construction is relative reduction of traditional labor-intensive construction processes. The Group started off in the construction business in the first place, and construction business has been, is and will always be one of the main businesses of the Group. We love the construction industry so much that we are more eager to use mechanization, technology and intelligence to upgrade and change this traditional industry, so that industry practitioners can operate in a more decent and comfortable manner. This is the sentiment of our generation of construction practitioners, and also our mission.

In the future, the Group will continue to insist on the construction industrialization business as an important strategy for the Group's future development, using the prefabricated concrete structure system, cast-in-place structure system and steel structure system as our technical support, focusing on exploring and tackling pain points of the industry and difficulties currently existing in construction industrialization. The use case scenario of prefabricated assembly is prefabricated components, whose production, transportation, stacking and hoisting should be included in the consideration of the whole construction process. The reasonable splitting and deep optimization of the components in the design stage are crucial to the production, transportation, lifting and installation in the later stages. Compared with traditional cast-in-place buildings, the difficulty and workload of on-site lifting using prefabricated components has increased significantly, resulting in higher requirements for specialized lifting equipment and technology.

Prefabricated assembly is a crucial component in construction industrialization. Making construction more energy-saving, environment-friendly and healthy are goals that every builder always strives for, and the Group will consistently strive to achieve these goals.

## **FINANCIAL REVIEW**

### **Financial Policies**

The Group 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 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 29.0% of the total borrowings (2021: 46.0%). In addition, approximately 63.5% of the total borrowings (2021: 45.8%) were guaranteed by the Company; approximately 0.3% of the total borrowings (2021: 3.1%) were jointly guaranteed by the Company and non-controlling interests. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

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

The Group's financial position has been satisfactory and has continued to maintain a net cash position. The Group has sufficient capital resources to expand its business. As at 31 December 2022 the Group has unutilized banking facilities amounting to approximately RMB8.2 billion. Details of which are analysed below:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Cash and cash equivalents	<b>7,748,703</b>	7,813,911
Term deposits with initial term of over three months	<b>377,942</b>	318,452
Restricted bank deposits	<b>1,274,090</b>	1,263,180
Less: total borrowings	<b>2,978,136</b>	4,052,346
Net cash	<b>6,422,599</b>	5,343,197
Total equity attributable to owners of the Company	<b>11,402,887</b>	10,866,213
Net cash ratio	<b>56.3%</b>	49.2%

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

## Other Key Financial Ratios

	As at 31 December	
	2022	2021
Return on equity	<b>6.2%</b>	7.3%
Net assets value per share (RMB yuan)	<b>21.13</b>	19.38
Current ratio	<b>1.17</b>	1.17

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

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

Current ratio = current assets/current liabilities

During this year, the profit attributed to owners of the Company was approximately RMB704,777,000, representing a decrease of approximately 10.6% over last year. The return on shareholders' equity has decreased by approximately 14.8% over the previous year. But the net assets value per share has increased by approximately 9.0% as compared to last year. As at 31 December 2022, the Group was still in a net cash position with a net cash ratio of 56.3%.

## Cash Flow Analysis

	Note	For the year ended	
		31 December	
		2022	2021
		RMB'000	RMB'000
Cash inflow from operating activities	(i)	<b>1,303,545</b>	1,345,001
Cash inflow from investing activities	(ii)	<b>410,581</b>	188,779
Cash outflow from financing activities	(iii)	<b>(1,802,707)</b>	(977,719)
Net (decrease)/increase in cash and cash equivalents		<b>(88,581)</b>	556,061
Exchange gains/(losses) on cash and cash equivalents		<b>23,373</b>	(3,682)

Note:

- i During the year, the net cash inflow from operating activities was approximately RMB1,303,545,000, a decrease of approximately RMB41,456,000 compared to the net cash inflow of approximately RMB1,345,001,000 of last year, which was primarily due to lower operating receipts during the year.
- ii During the year, the net cash inflow from investing activities was approximately RMB410,581,000, an increase of approximately RMB221,802,000 compared to the net cash inflow of approximately RMB188,779,000 of last year, which was mainly due to the decrease in financial assets at fair value through profit or loss acquired during the year.
- iii During the year, the net cash outflow from financing activities is approximately RMB1,802,707,000, an increase of approximately RMB824,988,000 compared to the net cash outflow of approximately RMB977,719,000 of last year, which was mainly due to sufficient cash flow and increased return of bank borrowings during the year.

## **Early Termination Of Asset-Backed Securities Program**

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. In order to optimise the Group’s debt structure and reduce the Group’s financing costs, the Company decided to early terminate the ABS program by exercising the pre-emptive right by the Group at the first redemption window. On 26 December 2022, the Group early redeemed the Senior Class A Securities and Senior Class B Securities of the ABS in full amount. For details, please refer to the announcement dated 18 November 2022 published by the Company.

## **Other Gains – Net**

During the year of 2022, the Group recorded other gains – net of approximately RMB73,892,000, representing a decrease of approximately RMB23,803,000 year-on-year, mainly due to the combined decrease of approximately RMB26,240,000 in government subsidy income and net foreign exchange gain for the year.

## **Selling and Marketing Costs**

The Group’s selling and marketing costs amounted to approximately RMB143,044,000 for the year ended 31 December 2022 (2021: approximately RMB191,512,000), representing a decrease of approximately RMB48,468,000, mainly due to the decrease in selling, marketing and business hospitality costs from the property development business.

## **Administrative Expenses**

The Group’s administrative expenses amounted to approximately RMB699,034,000 for the year ended 31 December 2022, a decrease of approximately RMB56,835,000 compared to approximately RMB755,869,000 of last year, primarily due to the decrease of consulting fees.

## **Finance Costs**

During the year ended 31 December 2022, the Group recorded finance costs-net of approximately RMB4,446,000 (2021: RMB78,652,000).

## **Income Tax Expenses**

During the year ended 31 December 2022, income tax expense comprised of PRC corporate income tax of RMB231,118,000 (2021: RMB343,639,000) and PRC land appreciation tax of RMB206,024,000 (2021: RMB63,279,000) representing a increase of approximately RMB30,225,000, which was mainly due to more property projects recognised during the year, thus a significant increase in the provision for land appreciation tax as compared to 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 2022, the Group's land appreciation tax amounted to approximately RMB206,024,000.

## Financial Guarantee

	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	<b>1,928,050</b>	2,330,144

The Group provided guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for 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 banks as securities.

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

As at 31 December 2022, right-of-use assets for land, property, plant and equipment, properties under development and completed properties held for sale at a total value of approximately RMB3,338,440,000 (as at 31 December 2021: RMB6,217,914,000) were pledged to banks as security in securing bank borrowings.

## Capital Expenditure Plan

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

## Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

## CONNECTED TRANSACTIONS

During the year of 2022, the Group had no connected transaction that would require disclosure under the Listing Rules.

## CONTINGENT LIABILITIES

As at 31 December 2022, neither the Company nor the Group had any significant contingent liabilities.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group did not have any other material acquisitions or disposals of subsidiaries, joint ventures and associates during the year.

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

Since the special resolution regarding the authorization to the Board to buyback H shares of the Company since 2020 Annual General Meeting and class meetings, the Company has repurchased a total of 20,988,000 H shares from December 2021 to April 2022, representing 10.0% and 3.74% 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 HKD89,730,960 (excluding transaction charges). The repurchased 20,988,000 H shares were cancelled on 18 August 2022. For details, please refer to the next day disclosure returns from 29 December 2021 to 26 April 2022 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 2021 Annual General Meeting and class meetings, the Company has repurchased a total of 18,890,000 H shares from September 2022 to November 2022 representing 10.0% and 3.50% 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 HKD78,428,400 (excluding transaction charges). The repurchased 18,890,000 of H shares were cancelled on 20 February 2023. At present, such cancelled shares were submitted to the relevant authorities for reduction of capital. For details, please refer to the next day disclosure returns from 26 September 2022 to 10 November 2022 published on the website of the Stock Exchange.

As at 31 December 2022, the total number of shares in issue was 539,646,053 (including 350,742,053 domestic shares and 188,904,000 H shares).

Particulars of the shares buy-back are as follows:

Month	Number of shares bought back	Purchase price per share		Aggregate Consideration (before expenses) (HKD)	Current Status
		Highest (HKD)	Lowest (HKD)		
December 2021	234,000	3.80	3.80	889,200	Cancelled
January 2022	2,698,000	4.45	3.82	11,236,580	Cancelled
April 2022	18,056,000	4.36	3.70	77,605,180	Cancelled
September 2022	2,374,000	4.35	3.98	10,049,300	Cancelled
October 2022	2,236,000	4.30	3.90	9,342,180	Cancelled
November 2022	14,280,000	4.30	3.96	59,036,920	Cancelled
Total	<u>39,878,000</u>			<u>168,159,360</u>	

Save as disclosed above, during the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

## **HUMAN RESOURCES**

As at 31 December 2022, the Group had a total of 6,560 permanent employees (as at 31 December 2021: 6,629). Also, there were approximately 67,896 indirectly employed construction site workers (as at 31 December 2021: 76,235). These workers were not directly employed by the Group. For the year ended 31 December 2022, the total employee benefit expenses amounted to approximately RMB4,705,754,000. 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, unemployment insurance and housing provident fund. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Board is continuously working on devising, revising and implementing a more effective employee incentive plan and training plan to encourage superior performance of employees to fit into the Group's long term development plan.

## **LITIGATION AND ARBITRATION**

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

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

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

## **CORPORATE GOVERNANCE CODE**

The Company has adopted the Corporate Governance Code (the "CG Code") prescribed in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2022, 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 C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this provision because Mr. Pang Baogen has been performing both the roles of chairman and chief executive officer. The Group has appointed three general managers to oversee and manage the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of the Group's policies efficiently. Therefore, the Board endorsed the position of chief executive officer to be assumed by the chairman of the Board.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Board and the supervisory committee have adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct for securities transactions by the Directors and the supervisors (the “**Supervisors**”). Specific enquiries have been made by the Company and all the Directors and the Supervisors have confirmed that they have complied with the Model Code throughout the year of 2022. If any related employees possess information which may be considered as sensitive to the Company's share price and such information is not public, such employee has to comply with the written guidelines, which is as strict as the Model Code.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) consists of two independent non-executive directors, namely Mr. Chan Yin Ming, Dennis (chairman), Mr. Li Wangrong and one non-executive director, Mr. Fung Ching, Simon. The Audit Committee held two meetings on 25 March 2022 and 26 August 2022. Mr. Chan Yin Ming, Dennis, Mr. Li Wangrong and Mr. Fung Ching, Simon attended the meetings. The Audit Committee has discussed the accounting policies, the critical accounting estimates and assumptions, the audit objectives and the scope of the Group's internal audit department with management. They also discussed with the auditors on their audit plans and key audit areas. The audited consolidated financial statements and the annual results announcement of the Group for the year ended 31 December 2022 had been reviewed by the Audit Committee before submission to the Board for adoption and approval.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The Group's consolidated financial statements for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers who has issued a standard unqualified audit opinion on these financial statements.

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2022 as set out in the announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

## **PUBLICATION OF ANNUAL REPORT**

The full text of the Group's 2022 Annual Report will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.baoyegroup.com](http://www.baoyegroup.com)) respectively in due course.

## **APPRECIATION**

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

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

Zhejiang, the People's Republic of China  
27 March 2023

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

\* For identification purposes only