



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

2022

Annual Report 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 "Xishan Yueyuan"
- Lishui "Weicun Project"
- Ningbo "Baoye Phoenix One"
- Shanghai "Baoye Qingchunli"
- Shanghai "Baoye Active Paradise"
- Wuhan "Xingyufu"
- Wuhan "Huangpi Phoenix City"
- Mengcheng "Shidai Green Garden"
- Mengcheng "Binghe Green Garden"
- Taihe "Yinghe Green Garden"
- Taihe "Jiangnan Fu"
- Kaifeng "Baoye Longhu Yucheng"
- Lu'an "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 Plate
- Others

BUSINESS NETWORK



BAOYE GROUP COMPANY LIMITED

CONSTRUCTION BUSINESS

- Zhejiang
- Shanghai
- Jiangsu
- Anhui
- Hubei
- Hunan
- Beijing
- Tianjin
- Hebei
- Henan
- Shandong
- Shanxi
- Liaoning
- Sichuan
- Chongqing
- Xinjiang
- Jiangxi
- Fujian
- Guangdong
- Africa

PROPERTY DEVELOPMENT BUSINESS

- Zhejiang
- Shanghai
- Hubei
- Anhui
- Henan

BUILDING MATERIALS BUSINESS

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

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Mr. Gao Lin

Mr. Gao Jiming

Mr. Gao Jun

Mr. Jin Jixiang

Non-executive Director

Mr. Fung Ching, Simon

Independent Non-executive Directors

Mr. Chan, Dennis Yin Ming

Mr. Li Wangrong

Ms. Liang Jing

SUPERVISORS

Supervisors

Mr. Kong Xiangquan (*Chairman*)

Mr. Wang Jianguo

Mr. Xu Gang

Independent Supervisors

Mr. Zhang Xindao

Mr. Xiao Jianmu

AUDIT COMMITTEE

Mr. Chan, Dennis Yin Ming (*Chairman*)

Mr. Fung Ching, Simon

Mr. Li Wangrong

REMUNERATION COMMITTEE

Mr. Chan, Dennis Yin Ming (*Chairman*)

Mr. Pang Baogen

Ms. Liang Jing

NOMINATION COMMITTEE

Mr. Li Wangrong (*Chairman*)

Mr. Gao Jiming

Ms. Liang Jing

COMPANY SECRETARY

Mr. Chow Chan Lum

AUDITORS

International Auditor

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

22/F, Prince's Building

Central, Hong Kong

Statutory Auditor

PricewaterhouseCoopers Zhongtian LLP

34/F Tower A, Kingkey 100

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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

17/F, Far East Finance Centre

16 Harcourt Road

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

HKEX (2355)

CONTACT

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FINANCIAL HIGHLIGHTS

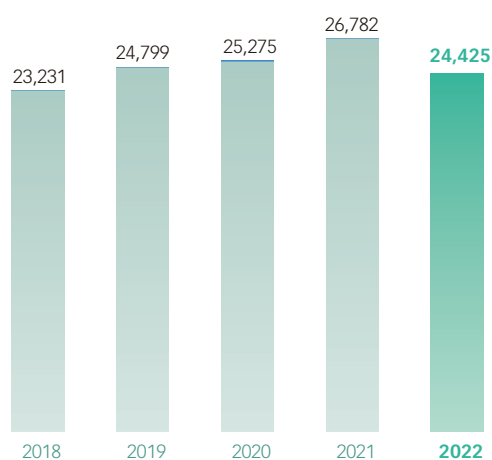
Year ended 31 December/As at 31 December					
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	24,425,350	26,781,555	25,275,453	24,799,413	23,230,614
Gross Profit	1,799,828	2,145,995	2,077,176	2,036,807	1,972,579
Net Profit	721,405	885,374	831,811	912,007	914,913
Profit Attributable to Owners of the Company	704,777	788,477	794,084	856,691	874,175
Earnings per Share (RMB)	1.30	1.40	1.41	1.52	1.53
Assets and Liabilities					
Total Assets	48,820,484	48,915,671	42,174,951	34,817,739	29,562,001
Total Liabilities	36,965,889	37,566,498	31,819,605	25,233,834	20,994,461
Total Equity	11,854,595	11,349,173	10,355,346	9,583,905	8,567,540

KEY FINANCIAL RATIOS

As at/Year ended 31 December		
	2022	2021
Return on Equity of the Company	6.2%	7.3%
Net Assets Value per Share (RMB yuan)	21.13	19.38
Net Cash Ratio	56.3%	49.2%
Current Ratio	1.17	1.17
Net Cash Inflow from Operating Activities (RMB'000)	1,303,545	1,345,001

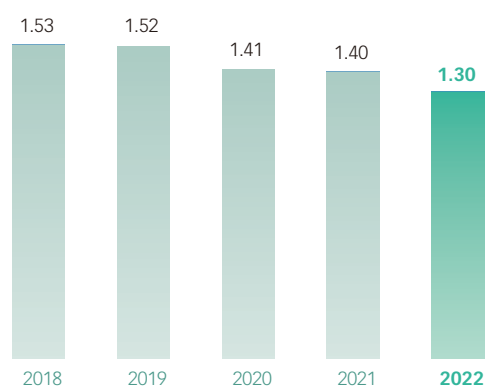
REVENUE

(in RMB million)



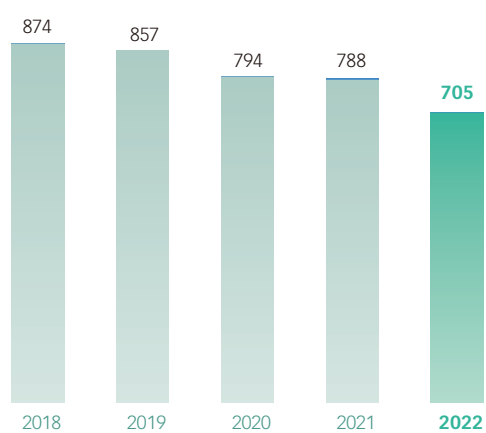
EARNINGS PER SHARE

(RMB)



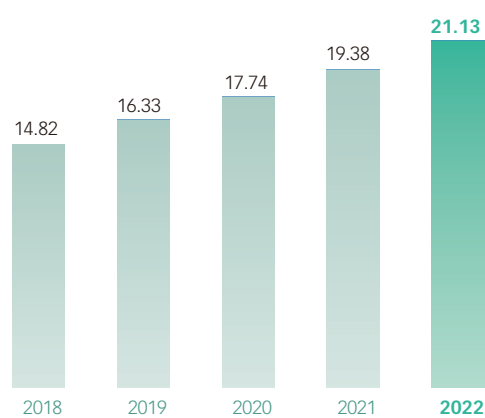
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(in RMB million)



NETS ASSETS VALUE PER SHARE

(RMB)



CHAIRMAN'S STATEMENT

To the Shareholders:

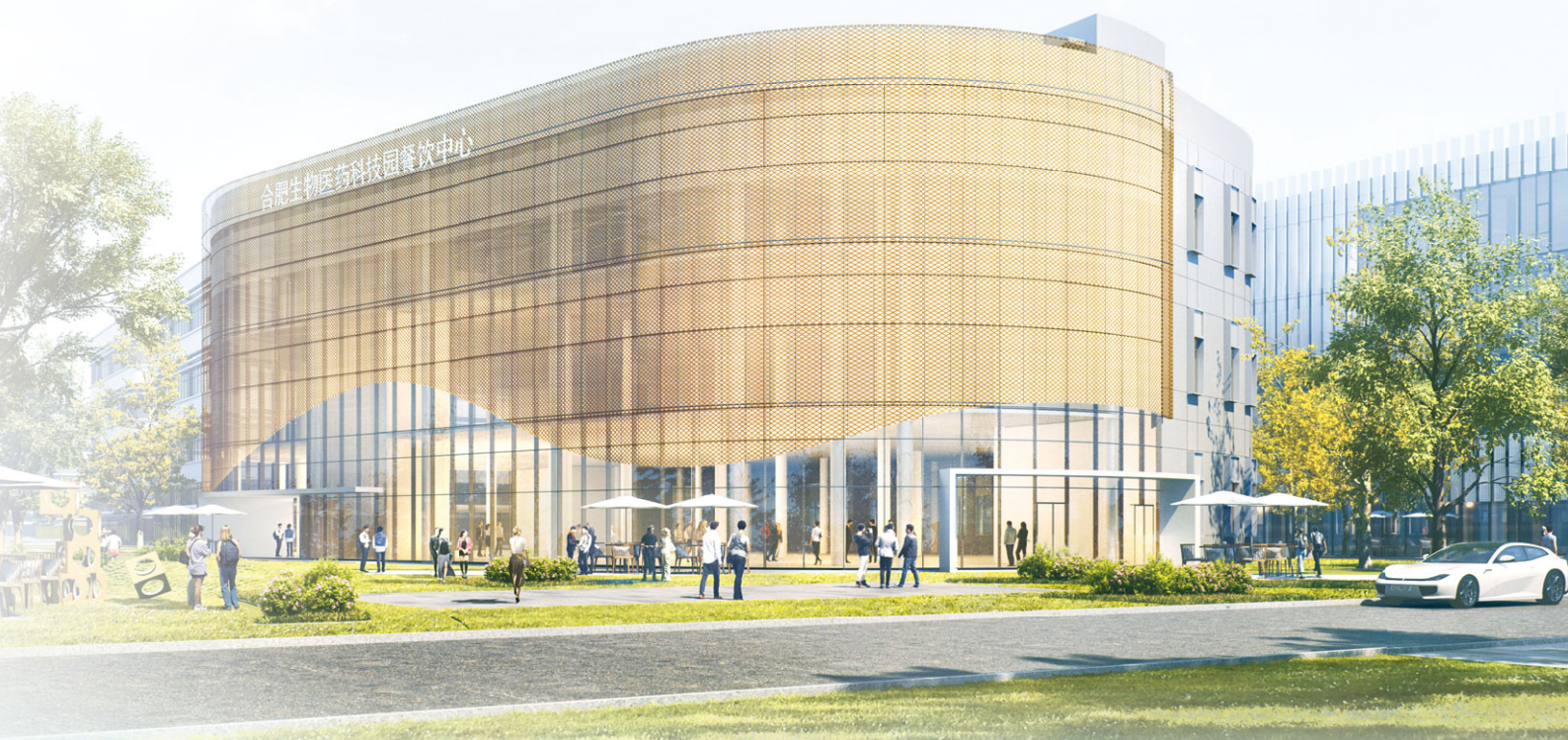
On behalf of the Board, I am pleased to report the audited financial results of Baoye Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2022. For the year ended 31 December 2022, the Group achieved audited consolidated revenue of approximately RMB24,425,350,000, representing a decrease of approximately 8.8% as compared to last year; profit attributable to owners of the Company amounted to approximately RMB704,777,000, representing a decrease of approximately 10.6% as compared to last year; earnings per share was RMB1.30, representing a decrease of approximately 7.1% as compared to last year. The Board proposed that no final dividends be declared for the year ended 31 December 2022. Details of operating and financial performance of the Group will be discussed in the "Management Discussion and Analysis" section of this annual report.

For most Chinese people, 2022 was undoubtedly a difficult year because of the ongoing epidemic, macroeconomic downturn, the aftermath of the housing crisis, the increased tension between China and the United States relations as well as the challenges to regional and world peace brought by the Russian-Ukrainian war and the volatility of energy prices. At the same time, some of China's potential "problems" are beginning to emerge: the plummeting birth rate, the gradually aging population, and urbanization of cities slowing down after more than two decades of rapid development and construction. All of these are a constant reminder that we can no longer face this new era with the old thoughts of the past.

The real estate industry consists of upstream industries including land supply, construction materials and construction machinery; midstream industries including engineering consulting (planning, survey, design, etc.), construction and building, real estate development; and downstream industries including decoration and property management. Since going through reforms in 1998, the development of China's real estate industry has greatly contributed to the growth of China's GDP, greatly improved the living conditions of the people, and driven the development and growth of related industries in its industrial chain. On another note, it is also clear that the implementation of a series of national policies, such as China's reform and opening up to foreign investment and accession to the World Trade Organization, has brought about the introduction of a large amount of foreign capital and the rapid development of the secondary industries, resulting in a significant increase in the income of the residents. Following this perspective, the rapid development of the real estate industry in the past 20 years is inseparable from these "external factors". On the one hand, it met the rigid demand of people seeking to improve their housing conditions urgently. On the other hand, it also meets the investment demand of people seeking to increase the value of their assets under the multiple rounds and large-scale financial and credit stimulation promoted by the state after the world financial crisis in 2008. This is the fortune of our time.

Presently, we believe that China's real estate industry has entered a new deep adjustment channel: in terms of long-term basic situation in China, according to the data released by the National Bureau of Statistics, the urbanization rate of the country's resident population was 65.22% at the end of 2022, an increase of 0.50% from the end of 2021. China's urbanization rate will still grow in the future, but at a slower rate. The declining birth rate and increasing aging of China's population are long-term factors that will affect the future development trend of China's real estate industry. In the short term, the three-year epidemic, disease prevention and control measures, and the government's regulation of the real estate industry in recent years, especially the "three red lines" policy for real estate development enterprises since 2021 (1. the asset-liability ratio after excluding advances received should not exceed 70%; 2. the net

debt ratio should not exceed 100%; 3. the cash-short debt ratio should not be less than 1.), all make the "high leverage, high debt, high risk" real estate enterprises directly face survival challenges. At the end of 2022, the central government made timely adjustments to the epidemic control policy, and the epidemic in China passed its peak smoothly before the end of the year. The central government also adjusted its regulation of the real estate industry in terms of credit, bonds and equity, in order to meet the reasonable financing needs of the industry and support high-quality real estate enterprises to improve their asset and liability



Chairman's Statement

situation. Facing such new changes and trends, we are more confident than ever. This is a new era in which the industry is changing from “high leverage, high debt and high risk” to “high quality, high character and high efficiency”. The only way to achieve high-quality survival and development is to refine operations, “turn the blade inward” by seeking efficiency from management, continuously increasing the synergy of the Group's internal resources, developing products and services matching the real needs of customers, and concentrating on key cities and key projects.

In the future, the Group will still adhere to the three-in-one business model of “building construction, property development and construction industrialization”, optimize the cooperation model with high-quality real estate enterprises, high-quality upstream and downstream suppliers and local governments with relatively abundant financial strength, integrate advantageous resources and seek growth together.

Baoye has always insisted on developing the cause of construction savings and emission reduction, and we will continue to do so and focus on furthering two aspects: First, we will strengthen the research on technical, structural and management energy saving technologies. At present, Baoye has already been measuring and comparing the annual energy consumption (electricity) per capita and per unit area for the “Century-lasting house” community developed by Baoye and other residential communities with traditional construction methods. The goal is to form data and calculable results, so as to provide basic data support for setting up “carbon accounts” for households and carrying out “carbon trading”. Secondly, the effect of Baoye's “Century-lasting house” integrated system and building energy-saving technology has already



evident, and we will continue to promote the full application in other development projects in the future. The Group has been publishing its environmental, social and governance report since 2016. We employ professional third-party agencies to help us to disclose qualitative and quantitative indicators that meet industry characteristics in a more detailed manner. In corporate governance, climate change is integrated into



its 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. 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 2022" 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

27 March 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	24,425,350	100%	26,781,555	100%	-9%

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	1,079,165	100%	1,345,859	100%	-20%

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%

Management Discussion and Analysis

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:

Projects Name	Awards
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 Structure of Hubei Province
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:

Project	Location	Average Selling Price (RMB/Sqm)	Floor Areas Sold (Sqms)	Revenue (RMB'000)
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.

Management Discussion and Analysis

Projects under development

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

Project Name	Location	Total GFA Under Development (Sqms)	Equity Interest of the Group
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 City	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%

Management Discussion and Analysis

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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

New Land Reserve

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

Time	Location	Cost (RMB'000)	Land area (Sqms)	Equity
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		
	RMB'000	% of total	RMB'000	% of total	
Curtain Wall	1,101,173	47%	1,333,782	57%	-17%
Ready-mixed Concrete	180,894	8%	171,188	7%	6%
Furnishings and Interior Decorations	230,574	10%	228,152	10%	1%
Wooden Products and Fireproof Materials	90,607	4%	102,222	4%	-11%
PC assembly plate	490,695	21%	268,585	12%	83%
Steel structure	26,957	1%	27,575	1%	-2%
Others	199,451	9%	207,461	9%	-4%
Total	2,320,351	100%	2,338,965	100%	-1%

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.

Management Discussion and Analysis

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:

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

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

Management Discussion and Analysis

Other Key Financial Ratios

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

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

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.

Management Discussion and Analysis

Financial Guarantee

	31 December 2022 RMB'000	31 December 2021 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	1,928,050	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.

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.

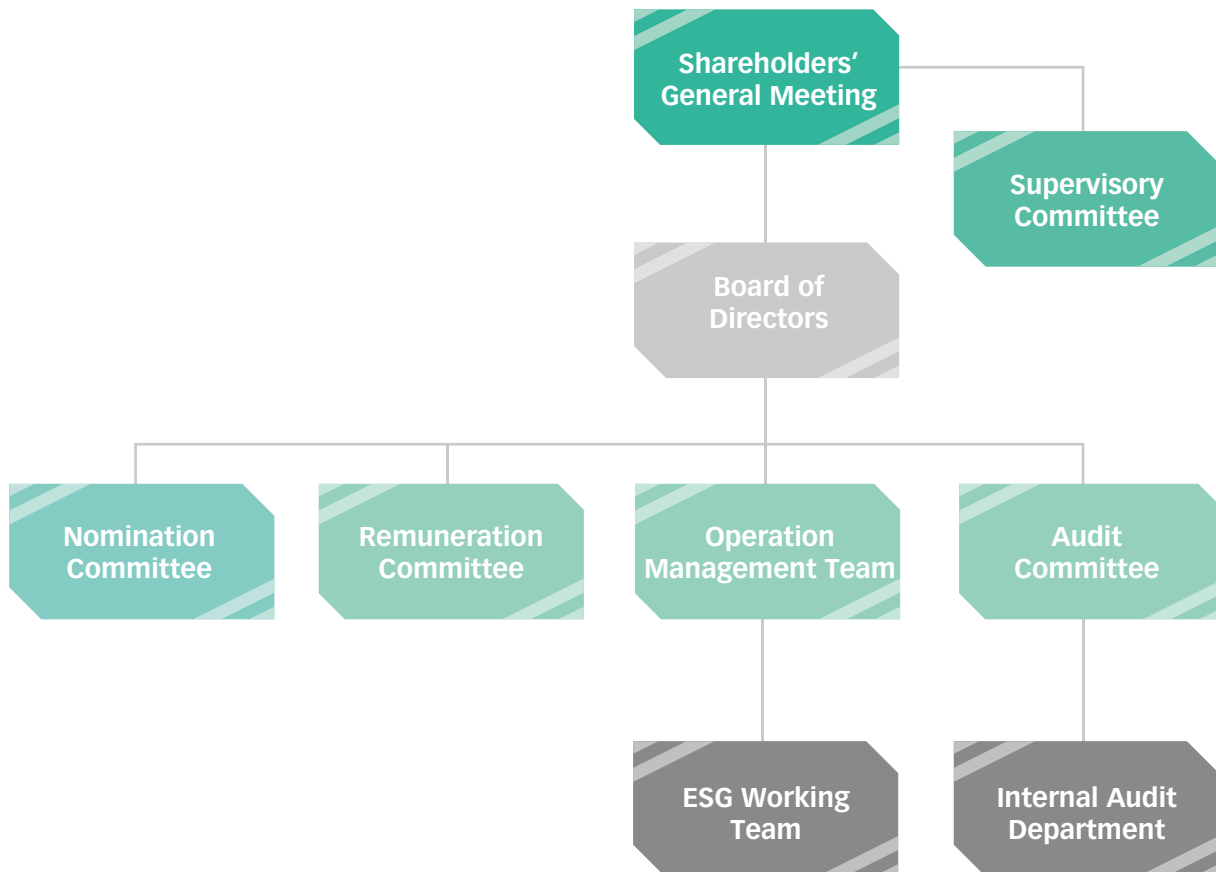
CORPORATE GOVERNANCE CODE

The Company has adopted the 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.

CORPORATE GOVERNANCE STRUCTURE



Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2022.

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 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.

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

Corporate Governance Report

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 2022.

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 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 2022.

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 45 to 47 of the annual report.

BOARD DIVERSITY

The Company adopted the Board Diversity Policy with periodical objectives. The nomination committee of the Company (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. As at 31 December 2022, the Board consists of nine Directors, of which one is female.

The remunerations of each of the Directors of the Company are disclosed on an individual basis, details of which are set out in note 39 to the consolidated financial statements.

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

	2022 Number of Individuals	2021 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 2021 annual report, 2022 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 2022

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 2022, 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 2022, 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 of the Company (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 2022. 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.

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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 2022 is set out as follows:

	2022		2021	
	Audit fees RMB'000	Other fees RMB'000	Audit fees RMB'000	Other fees RMB'000
PricewaterhouseCoopers	4,160	120	3,950	120

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 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 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 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 held two meetings during the year of 2022.

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 2022

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 of the Company (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 held one meeting during the year of 2022.

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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 2022

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. Liang Jing, and one executive Director, namely, Mr. Gao Jiming, with Mr. Li Wangrong as the chairman of the Nomination Committee.

The main duties of the Nomination Committee are to review the structure, size and composition of the Board of Directors on a regular basis, to make recommendations to the board regarding any proposed changes and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of 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 2022.

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 2022

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;

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- 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 2022, 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 62 to 166 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;

- 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 2022

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

Shareholders' rights are based on certain laws and regulations, such as the Company Law of the PRC, the Hong Kong Companies Ordinance, the Listing Rules and etc. 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

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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.

The Company's Articles of Association 74 also guaranteed the shareholders' rights to speak at the shareholders' 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;

- 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;

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- 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 2022. 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 2022.

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 2022, 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	15.51%	5.43%
Zhu Yicai (Note 1)	29,304,000	15.51%	5.43%

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 2022	On 26 August 2022
Issued Annual Results Announcement of 2022	On 27 March 2023
Closure of register of member of the Company	On 17 May 2023 to 16 June 2023 (both days inclusive)
Annual General Meeting of 2022	On 16 June 2023
Class meeting for holders of H Shares	On 16 June 2023
Class meeting for holders of Domestic Shares	On 16 June 2023

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 14 June 2022. 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 14 June 2022. All the Directors attended this AGM.

ARTICLES OF ASSOCIATION

Given that the Company has cancelled the repurchased 20,988,000 H shares on 11 May, 2022, 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. 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 been awarded special expert by 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 numerous 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 about 20 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 46 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, the first-grade solicitor and the independent non-executive director of Zhejiang Yuejian Intelligent Equipment Company Limited, listed on the main board of Shanghai Stock Exchange (stock code: 603095.SH). 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 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 2022.

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 2022 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 2022 are set out in the balance sheets of the consolidated financial statements prepared in accordance with HKFRS on pages 69 to 70.

The results of the Group for the year ended 31 December 2022 prepared in accordance with HKFRS are set out in the consolidated income statement on page 71.

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 RMB1,096,628,000 as at 31 December 2022 (2021: RMB1,032,966,000).

DIVIDENDS

At the board meeting held on 27 March, 2023, the Board proposed no final dividend be declared for the year ended 31 December 2022 (2021: 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 2022 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 RMB4,965,000 (2021:RMB3,274,000).

BORROWINGS

As at 31 December 2022, details of borrowings of the Group are set in the note 24 to the consolidated financial statements.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors of the Company for 2022 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

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 45 to 48 of the annual report.

REMUNERATION OF DIRECTORS

The remuneration of the Directors of the Company is disclosed on an individual named basis in note 39 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 39 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 2022, 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 2022.

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
Directors					
Mr. Pang Baogen	The Company	Individual	193,753,054	–	37.21%
Mr. Gao Jiming	The Company	Individual	12,059,254	–	2.32%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.83%
Mr. Gao Jun	The Company	Individual	5,794,259	–	1.11%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.47%
Supervisors					
Mr. Wang Jianguo	The Company	Individual	5,250,290	–	1.01%
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	–	3.53%
Senior Management					
Mr. Lou Zhonghua	The Company	Individual	4,533,172	–	0.87%
Mr. Wang Rongbiao	The Company	Individual	2,638,026	–	0.51%

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	/
2022	/	/	/	704,777,000	/
Total	1,181,190,000		995,821,095		

Directors' Report

SHARE CAPITAL

As at 31 December 2022, there was a total share capital of 539,646,053 shares of the Company in issue, which includes:

	Number of shares	Approximate percentage of total share capital
Domestic Shares	350,742,053	64.99%
H Shares	188,904,000	35.01%
Total	539,646,053	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 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)	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	39,878,000			168,159,360	

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.

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 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.

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 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 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.

As at 31 December 2022, the gender ratio for the Group's employees was approximately 70.14% male and approximately 29.86% female. The Company has implemented a fair employment policy, and the recruitment has been merit-based without any discrimination. We will continue to strive for increasing the proportion of female workers, with reference to the Shareholders' expectations and the recommended best management practice, to achieve an appropriate balance in gender diversity. Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on page 29.

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 2023, the “Environmental, Social and Governance Report 2022” 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 14 June 2022.

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 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 annual general meeting, 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.

Directors' Report

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

27 March, 2023

SUPERVISORS' REPORT

To the Shareholders,

In the year 2022, 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 2022 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

27 March, 2023

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 69 to 166, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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.

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 2022, 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 ("HKSA") 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
- Expected credit losses on trade receivables and contract assets

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<p>Recognition of revenue from provision of construction services</p> <p>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.</p> <p>Revenue from provision of construction services for the year ended 31 December 2022 amounted to RMB17,294,507,000 representing approximately 71% of the Group's total revenue.</p> <p>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.</p> <p>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.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none">(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. <p>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.</p>

Key audit matter	How our audit addressed the key audit matter
<p><i>Expected credit losses on trade receivables and contract assets</i></p> <p>Refer to Note 3.1(b)(ii) "Credit risk – Trade receivables and contract assets", Note 4 "Critical accounting estimates and judgments", Note 5 "Segment information" and Note 16 "Trade and other receivables" to the consolidated financial statements.</p> <p>As at 31 December 2022, gross trade receivables and contract asset amounted to RMB5,332,120,000 and RMB6,972,425,000, respectively, which represented approximately 11% and 14% of the total assets of the Group, and a total loss allowance of RMB536,362,000 and RMB83,114,000 was provided against the gross amount of trade receivables and contract assets, respectively.</p> <p>Management assessed the expected credit losses on trade receivables and contract assets based on assumptions about expected credit loss rates. The Group used judgments in making these assumptions and selecting the inputs to the expected credit loss calculation, taking into account cash collection history, existing market conditions as well as forward looking estimates.</p> <p>We focused on this area as the balances of trade receivables and contract assets were material, and the assessment on the expected credit losses on these trade receivables and contract assets involved significant judgments and estimates made by management which are subject to high degree of estimation uncertainty.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> (i) Understood, evaluated and validated the internal controls in relation to assessment on the related expected credit losses on trade receivables and contract assets, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. (ii) Assessed the appropriateness of the expected credit loss provisioning methodology used by the Group. (iii) Challenged the reasonableness of the estimated credit loss rates by considering historical cash collection and movements of the aging of trade receivables, and taking into account the market conditions as well as forward looking information. (iv) Tested, on a sample basis, the accuracy of the aging of trade receivables. (v) Checked the mathematical accuracy of the calculation of the provision for loss allowance. <p>We found that the significant judgments and estimates made by management in assessing the expected credit losses on the trade receivables and contract assets were supported by available evidence.</p>

Independent Auditor's Report

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 Cheung Siu Cheong.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 March 2023

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,146,542	2,979,776
Right-of-use assets	7	758,540	705,160
Investment properties	9	758,548	763,934
Intangible assets	8	388,147	388,147
Investments accounted for using the equity method	11	402,735	381,708
Trade and other receivables	16	398,210	632,676
Financial assets at fair value through other comprehensive income	12	338,603	363,694
Financial assets at fair value through profit or loss	17	7,144	6,948
Deferred income tax assets	25	346,815	303,794
		6,545,284	6,525,837
Current assets			
Inventories	13	265,029	283,715
Properties under development	14	14,177,763	14,938,687
Completed properties held for sale	15	4,170,578	2,228,468
Contract assets	5	6,889,311	7,226,715
Trade and other receivables	16	7,317,784	7,835,106
Financial assets at fair value through profit or loss	17	54,000	481,600
Restricted bank deposits	18, 19	1,274,090	1,263,180
Term deposits with initial term of over three months	19	377,942	318,452
Cash and cash equivalents	19	7,748,703	7,813,911
		42,275,200	42,389,834
Total assets		48,820,484	48,915,671

Consolidated Balance Sheet

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	20	890,230	1,035,874
Other reserves	21	320,099	335,484
Retained earnings	22	10,192,558	9,494,855
		11,402,887	10,866,213
Non-controlling interests		451,708	482,960
Total equity		11,854,595	11,349,173
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	24	586,540	963,225
Lease liabilities	7	13,975	15,547
Deferred income tax liabilities	25	215,633	206,658
		816,148	1,185,430
Current liabilities			
Contract liabilities	5	16,612,513	16,767,601
Trade and other payables	23	16,824,546	16,256,918
Lease liabilities	7	2,745	1,599
Bank and other borrowings	24	2,391,596	3,089,121
Current income tax liabilities		318,341	265,829
		36,149,741	36,381,068
Total liabilities		36,965,889	37,566,498
Total equity and liabilities		48,820,484	48,915,671

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

The financial statements on pages 69 to 166 were approved by the Board of Directors on 27 March 2023 and were signed on its behalf.

Mr. Pang Baogen

Director

Mr. Gao Jiming

Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	5	24,425,350	26,781,555
Cost of sales	28	(22,625,522)	(24,635,560)
Gross profit		1,799,828	2,145,995
Other income	26	211,338	177,110
Other gains – net	27	73,892	97,695
Selling and marketing costs	28	(143,044)	(191,512)
Administrative expenses	28	(699,034)	(755,869)
Net impairment losses on financial and contract assets	3.1(b)	(163,815)	(127,560)
Operating profit		1,079,165	1,345,859
Finance income	30	15,845	12,900
Finance costs	30	(20,291)	(91,552)
Finance costs – net	30	(4,446)	(78,652)
Share of results of investments accounted for using the equity method	11	83,828	25,085
Profit before income tax		1,158,547	1,292,292
Income tax expenses	31	(437,142)	(406,918)
Profit for the year		721,405	885,374
Profit attributable to:			
– Owners of the Company		704,777	788,477
– Non-controlling interests		16,628	96,897
		721,405	885,374
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB yuan per share)	32	1.30	1.40

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Profit for the year		721,405	885,374
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences	21	(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	21	(18,819)	102,190
Total other comprehensive income/(loss) for the year, net of tax		(22,459)	106,266
Total comprehensive income for the year		698,946	991,640
Total comprehensive income attributable to:			
– Owners of the Company		682,318	894,743
– Non-controlling interests		16,628	96,897
Total comprehensive income for the year		698,946	991,640

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share Capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022		560,634	475,240	335,484	9,494,855	10,866,213	482,960	11,349,173
Comprehensive income								
Profit for the year		-	-	-	704,777	704,777	16,628	721,405
Other comprehensive loss	21	-	-	(22,459)	-	(22,459)	-	(22,459)
Total comprehensive income		-	-	(22,459)	704,777	682,318	16,628	698,946
Transactions with owners in their capacity as owners								
Buy-back and cancellation of shares	20	(20,988)	(124,656)	-	-	(145,644)	-	(145,644)
Transfer of statutory surplus reserves	22	-	-	7,074	(7,074)	-	-	-
Capital contributions by non-controlling interests		-	-	-	-	-	700	700
Dividends to non-controlling interests		-	-	-	-	-	(48,580)	(48,580)
Total transactions with owners		(20,988)	(124,656)	7,074	(7,074)	(145,644)	(47,880)	(193,524)
Balance at 31 December 2022		539,646	350,584	320,099	10,192,558	11,402,887	451,708	11,854,595

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	2,040,778	2,248,491
Interest paid		(194,055)	(218,563)
Income tax paid		(543,178)	(684,927)
Net cash generated from operating activities		1,303,545	1,345,001
Cash flows from investing activities			
Payments for investments in joint ventures	11(a)	(4,391)	(7,153)
Repayment of loans by a joint venture	16(a)	3,750	254,954
Loans to a joint venture	16(a)	(15,000)	(56,734)
Repayment of loans by associates	16(b)	232,497	–
Loans to an associate	16(b)	–	(137,030)
Net cash acquired from acquisition of subsidiaries		–	157,367
Purchase of financial assets at fair value through profit or loss	17	(290,000)	(861,000)
Disposal of financial assets at fair value through profit or loss		738,070	1,157,621
Disposal of an associate		67,192	–
Purchase of property, plant and equipment		(433,739)	(464,168)
Disposal of property, plant and equipment	34(b)	24,424	73,389
Purchase of right-of-use for land use rights	7	(76,379)	(25,038)
Purchase of mining rights	8	–	(371,613)
Advance from government for housing demolition and relocation		14,561	329,770
Increase of term deposits with initial term of over three months		(59,490)	(36,295)
Interest received		209,086	174,709
Net cash generated from investing activities		410,581	188,779
Cash flows from financing activities			
Proceeds from borrowings		3,351,107	2,983,060
Repayments of borrowings		(4,425,317)	(3,684,569)
Principal elements of lease payments		(6,681)	(4,174)
Capital contributions by non-controlling interests		700	10,410
Buy-back of shares		(145,644)	(82,371)
Repayment of advances from non-controlling interests		(528,292)	(200,075)
Dividends paid to non-controlling interests		(48,580)	–
Net cash used in financing activities		(1,802,707)	(977,719)
Net (decrease)/increase in cash and cash equivalents		(88,581)	556,061
Cash and cash equivalents at beginning of the year		7,813,911	7,261,532
Exchange gains/(losses) on cash and cash equivalents		23,373	(3,682)
Cash and cash equivalents at end of the year		7,748,703	7,813,911

The notes on pages 76 to 166 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 27 March 2023.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies 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 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.

		Effective for accounting periods beginning on or after
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

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.

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 (continued)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(c) *Measurement (continued)*

Debt instruments (continued)

- 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.
- 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

(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 debt instruments carried at amortised cost. 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.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets, see Note 3.1(b) for further details

Impairment on other receivables, loans to joint ventures and associates 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.

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 does 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.

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 2022 and 2021, 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 2022 and 2021 were as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Assets		
USD	224,791	199,991

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	
	2022 RMB'000	2021 RMB'000
RMB against USD:		
Strengthened by 5%	(8,430)	(7,500)
Weakened by 5%	8,430	7,500

(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 2022, 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 2022, if interest rates on borrowing had been 1% higher/lower with all other variables held constant, the net profit for current year would decrease/increase by RMB1,592,000 (2021: RMB1,758,000), the properties under development would increase/decrease by RMB5,682,000 (2021: RMB2,642,000) and constructions in progress would increase/decrease by RMB901,000 (2021: RMB665,000).

(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.

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:

- 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 debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

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

As at 31 December 2022, 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
0.1%-3%	12 month expected losses	Gross carrying amount

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

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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
At 1 January	5,272	7,600	3,066	2,381
Provision/(reversal) for loss allowance	5,201	(2,328)	(2,768)	685
At 31 December	10,473	5,272	298	3,066
Less: loss allowance provision against current assets	(1,823)	(2,638)	(298)	(758)
Loss allowance provision against non-current assets	8,650	2,634	-	2,308

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 2022, the gross carrying amount of loans to joint ventures and loans to associates were RMB504,865,000 (2021: RMB491,363,000) and RMB142,678,000 (2021: RMB375,175,000) respectively, and thus the maximum exposure to loss of loans to joint ventures and loans to associates were RMB494,392,000 (2021: RMB486,091,000) and RMB142,380,000 (2021: RMB372,109,000) 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, the trade receivables and contract assets were grouped based on shared credit risk characteristics and the aging profile. Trade receivables and contract assets relating to customers with known financial difficulties or significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually. 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. The Group has identified the broad money supply (M2), fixed assets investments and new RMB loans to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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 2022 and 2021 is determined as follows, the expected credit losses below also incorporate forward looking information:

31 December 2022	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	0.7%	4.2%	15.0%	26.3%	44.7%	
Gross carrying amount (RMB'000)	1,755,114	1,729,791	1,026,272	380,456	440,487	5,332,120
Loss allowance provision (RMB'000)	13,028	72,651	153,941	100,060	196,682	536,362

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

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 1%.

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	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	425,178	307,181	42,159	29,193
Provision for loss allowance	111,184	117,997	40,955	12,964
At 31 December	536,362	425,178	83,114	42,157

As at 31 December 2022, the gross carrying amount of trade receivables and contract assets were RMB5,332,120,000 (2021: RMB5,402,402,000) and RMB6,972,425,000 (2021: RMB7,268,872,000) respectively, and thus the maximum exposure to loss of trade receivables and contract assets were RMB4,795,758,000 (2021: RMB4,977,224,000) and RMB6,889,311,000 (2021: RMB7,226,715,000) respectively.

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	
	2022	2021
	RMB'000	RMB'000
At 1 January	5,682	7,440
Provision/(reversal) for loss allowance	9,243	(1,758)
At 31 December	14,925	5,682

As at 31 December 2022, the gross carrying amount of other receivables was RMB1,040,487,000 (2021: RMB1,050,329,000), and thus the maximum exposure to loss of other receivables was RMB1,025,562,000 (2021: RMB1,044,647,000).

(iv) Total impairment losses on financial and contract assets

	2022	2021
	RMB'000	RMB'000
Provided for:		
Loans to joint ventures and associates	2,433	(1,643)
Trade receivables	111,184	117,997
Contract assets	40,955	12,964
Other receivables	9,243	(1,758)
	163,815	127,560

(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 2022				
	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	2,391,596	308,980	277,560	–	2,978,136
Interest of bank and other borrowings	80,917	23,836	10,749	–	115,502
Trade and other payables (excluding other taxes payables, prepayments and salaries payables)	15,397,083	–	–	–	15,397,083
Lease liabilities	3,464	3,358	7,523	5,057	19,402
	17,873,060	336,174	295,832	5,057	18,510,123
Financial guarantee	1,928,050	–	–	–	1,928,050

	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
	17,897,720	213,399	671,249	241,836	19,024,204
Financial guarantee	2,330,144	–	–	–	2,330,144

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

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 2022 and 2021, 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 2022 and 2021. See Note 9 for disclosures of the investment properties that were measured at fair value.

	As at 31 December 2022			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at FVPL				
– Bank financial products	–	–	54,000	54,000
– Listed equity securities	7,144	–	–	7,144
Financial assets at FVOCI				
– Listed equity securities	63,323	–	–	63,323
– Unlisted equity securities	–	–	275,280	275,280
	70,467	–	329,280	399,747

	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
	120,146	–	732,096	852,242

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 2022, there were no reclassifications of financial assets.

There were no changes in valuation techniques during the year ended 31 December 2022.

The following table presents the changes in level 3 instruments for the year ended 31 December 2022 and 2021.

	2022 RMB'000	2021 RMB'000
At 1 January	732,096	976,168
Additions	290,000	861,000
Disposals	(738,070)	(1,157,621)
Fair value changes	45,254	134,036
Transfer to level 1	–	(81,487)
At 31 December	329,280	732,096

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Financial instruments by category

	Note	2022 RMB'000	2021 RMB'000
Financial assets			
Financial assets at amortised cost			
– Trade and other receivables (excluding prepayments)	16	6,458,092	6,880,071
– Restricted bank deposits	18, 19	1,274,090	1,263,180
– Term deposits with initial term of over three months	19	377,942	318,452
– Cash and cash equivalents	19	7,748,703	7,813,911
Financial assets at FVOCI	12	338,603	363,694
Financial assets at FVPL	17	61,144	488,548
At 31 December		16,258,574	17,127,856

	Note	2022 RMB'000	2021 RMB'000
Financial liabilities			
Financial liabilities at amortised cost			
– Trade and other payables (excluding other taxes payables, advance and salaries payables)	23	15,397,083	14,678,786
– Borrowings	24	2,978,136	4,052,346
– Lease liabilities	7	16,720	17,146
At 31 December		18,391,939	18,748,278

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 trade receivable and contract assets

Management assessed the expected credit losses on trade receivables and contract assets based on assumptions about expected credit loss rates. The Group used judgments in making these assumptions and selecting the inputs to the expected credit loss calculation, taking into account cash collection history, existing market conditions as well as forward looking estimates. Details are disclosed in Note 3.1(b).

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(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.

(e) Estimated impairment of construction stone mining right

The carrying amount of construction stone mining right is assessed for impairment when facts and circumstances suggest that the carrying amount of the construction stone mining right may exceed its recoverable amount. The Group's determination as to whether the construction stone mining right is impaired requires an estimation of the recoverable amount of the asset. The directors exercise their judgement in estimating the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise.

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.

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 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)
Revenue (from external customers)	17,294,507	4,469,934	2,320,351	340,558	24,425,350
Operating profit	320,388	606,539	141,268	10,970	1,079,165
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

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (CONTINUED)

The segment information was as follows (continued):

	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)
Revenue (from external customers)	21,640,032	2,365,738	2,338,965	436,820	26,781,555
Operating profit	570,250	610,533	145,117	19,959	1,345,859
Depreciation	67,573	12,017	126,013	59,669	265,272
Net impairment losses on financial and contract assets	102,140	913	23,663	844	127,560

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.

5 SEGMENT INFORMATION (CONTINUED)

(a) Analysis of revenue by category

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

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

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (CONTINUED)

(b) Assets and liabilities related to contracts with customers

Details of contract assets are as follows:

	2022 RMB'000	2021 RMB'000
Relating to construction services	6,451,366	6,770,224
Relating to installation of building materials	521,059	498,648
	6,972,425	7,268,872
Less: provision for loss allowance (Note 3.1(b))	(83,114)	(42,157)
Total contract assets	6,889,311	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:

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

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.

5 SEGMENT INFORMATION (CONTINUED)**(b) Assets and liabilities related to contracts with customers (continued)**

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

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

Unsatisfied contracts are:

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

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
At 1 January 2021						
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
Year ended 31 December 2021						
Opening net book amount	1,707,860	480,236	37,165	17,719	555,332	2,798,312
Additions	55,879	67,797	11,299	30,319	327,423	492,717
Transfers	189,098	61,952	–	–	(251,050)	–
Disposals	(3,341)	(1,759)	(545)	(197)	(66,136)	(71,978)
Depreciation charge	(114,474)	(91,821)	(18,070)	(14,910)	–	(239,275)
Closing net book amount	1,835,022	516,405	29,849	32,931	565,569	2,979,776
At 31 December 2021						
Cost	2,712,931	955,847	97,346	211,647	565,569	4,543,340
Accumulated depreciation	(877,909)	(439,442)	(67,497)	(178,716)	–	(1,563,564)
Net book amount	1,835,022	516,405	29,849	32,931	565,569	2,979,776
Year ended 31 December 2022						
Opening net book amount	1,835,022	516,405	29,849	32,931	565,569	2,979,776
Additions	213,583	3,149	4,356	18,620	222,239	461,947
Transfers	256,604	106,466	–	2,529	(365,599)	–
Disposals	(5,367)	(2,518)	(1,181)	(327)	(4,902)	(14,295)
Depreciation charge	(148,613)	(94,644)	(18,715)	(18,914)	–	(280,886)
Closing net book amount	2,151,229	528,858	14,309	34,839	417,307	3,146,542
At 31 December 2022						
Cost	3,174,294	1,055,385	96,685	226,366	417,307	4,970,037
Accumulated depreciation	(1,023,065)	(526,527)	(82,376)	(191,527)	–	(1,823,495)
Net book amount	2,151,229	528,858	14,309	34,839	417,307	3,146,542

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charge of RMB185,328,000 (2021: RMB153,293,000) and RMB95,558,000 (2021: RMB85,982,000) has been expensed in cost of sales and administrative expenses, respectively.

As at 31 December 2022, total carrying value of property, plant and equipment pledged as collateral for the Group's bank borrowings amounted to RMB256,188,000 (2021: RMB444,691,000) (Note 24(a)).

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

	2022 RMB'000	2021 RMB'000
Cost	243,805	244,301
Accumulated depreciation at 1 January	(83,842)	(81,398)
Depreciation charge for the year	(11,540)	(11,474)
Net book amount	148,423	151,429
Related rental income for the year	50,615	49,097

7 LEASES

The consolidated balance sheet shows the following amounts relating to leases:

	2022 RMB'000	2021 RMB'000
Right-of-use assets		
Right-of-use for properties	16,520	17,881
Right-of-use for land	742,020	687,279
	758,540	705,160
Lease liabilities		
Current	2,745	1,599
Non-current	13,975	15,547
	16,720	17,146

Additions to the right-of-use assets during the 2022 financial year were RMB78,021,000 (2021: RMB44,193,000). 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:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets		
Right-of-use for properties	(3,003)	(4,428)
Right-of-use for land	(21,638)	(21,569)
	(24,641)	(25,997)
Interest expense (included in finance cost)	(828)	(872)
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	11,940	13,362

The total cash outflow for leases in 2022 was RMB6,681,000 (2021: RMB4,174,000).

8 INTANGIBLE ASSETS

	Construction stone mining right RMB'000 (Note (a))	Goodwill RMB'000	Total RMB'000
Year ended 31 December 2021			
Opening net book amount	–	16,534	16,534
Additions	371,613	–	371,613
Amortisation	–	–	–
Closing net book amount	371,613	16,534	388,147
At 31 December 2021			
Cost	371,613	16,534	388,147
Accumulated amortisation	–	–	–
Net book amount	371,613	16,534	388,147
Year ended 31 December 2022			
Opening net book amount	371,613	16,534	388,147
Additions	–	–	–
Amortisation	–	–	–
Closing net book amount	371,613	16,534	388,147
At 31 December 2022			
Cost	371,613	16,534	388,147
Accumulated amortisation	–	–	–
Net book amount	371,613	16,534	388,147

(a) As of 31 December 2022, the Group has not commenced mining production activities and thus there has been no amortisation charged to profit or loss.

9 INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
At fair value:		
At 1 January	763,934	764,969
Fair value losses	(5,386)	(1,035)
At 31 December	758,548	763,934

Amounts recognised in profit and loss for investment properties

	2022 RMB'000	2021 RMB'000
Rental income	36,829	50,670
Direct operating expenses from properties that generated rental income	(34,245)	(36,402)
	2,584	14,268

As at 31 December 2022, the Group had no unprovided contractual obligations for future repairs and maintenance (2021: nil).

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 2022, an independent valuation of the Group's investment properties was performed by the valuer, Shaoxing Zhongxing Property Surveyors Limited, 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	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	609,836	610,871	154,098	154,098
Net gains/(losses) from fair value adjustment	2,165	(1,035)	(7,551)	–
Closing balance	612,001	609,836	146,547	154,098

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2022 by an independent professionally qualified valuer who hold a recognised relevant professional qualification 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.

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 inputs 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.
Capitalisation rates	Based on location, size and quality of the properties and taking into account market data at the valuation date.

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 2022	As at 31 December 2021	
Shopping malls	Future rental cash inflows	RMB44-RMB198 per month per square meter	RMB42-RMB173 per month per square meter	The higher the rental value, the higher the fair value
	Discount rate	6%	7%	The higher the discount rate, the lower the fair value
	Capitalisation rate	5%	5%	The higher the capitalisation rate, the lower the fair value
Office buildings	Future rental cash inflows	RMB117-RMB182 per month per square meter	RMB117-RMB182 per month per square meter	The higher the rental value, the higher the fair value
	Discount rate	7%	6%	The higher the discount rate, the lower the fair value
	Capitalisation rate	5%	5%	The higher the capitalisation rate, the lower the fair value

Notes to the Consolidated Financial Statements

10 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2022, 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.	100%	–	–	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

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
上海寶拓房地產開發有限公司 Shanghai Baotuo Real Estate Development Co., Ltd.	–	100%	–	30,000	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			
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
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

RMB'000

10 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly			
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
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
蒙城縣寶鯤房地產開發有限公司 Mengcheng County Baokun Real Estate Co., Ltd."	–	100%	–	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

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
六安寶業置業投資有限公司 Lu'an 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

RMB'000

10 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly			
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
宜昌寶業礦業有限公司 Yichang Baoye Mining Co., Ltd.	–	100%	–	50,000	Mining of mineral resources

- (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 2022 and 2021, there were no non-controlling interests that were material to the Group.

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2022 RMB'000	2021 RMB'000
Investments in joint ventures (a)	344,821	285,093
Investments in associates (b)	57,914	96,615
	402,735	381,708

(a) Investments in joint ventures

	2022 RMB'000	2021 RMB'000
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)
At 31 December	344,821	285,093
Represented by share of net assets	344,821	285,093

(b) Investments in associates

	2022 RMB'000	2021 RMB'000
At 1 January	96,615	213,970
Disposal	(67,192)	–
Transfer to investments in subsidiaries	–	(165,440)
Share of results	28,491	48,085
At 31 December	57,914	96,615
Represented by share of net assets	57,914	96,615

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.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000	2021 RMB'000
Unlisted equity investments at fair value (a)	275,280	250,496
Listed equity investments at fair value (b)	63,323	113,198
	338,603	363,694

Fair value changes included the following:

	2022 RMB'000	2021 RMB'000
Unlisted equity investments at fair value	24,784	27,928
Listed equity investments at fair value	(49,875)	108,326
	(25,091)	136,254

- (a) This represented a 10% equity interest in Shanghai Research Institute of Building Sciences Group Co., Ltd. ("SRIBSG") acquired in 2017 in the PRC. In March 2023, SRIBSG completed its IPO and listed its shares on the Main Board of Shanghai Stock Exchange.

The fair value of the Group's investment in SRIBSG was determined by the management using direct comparison approach by reference to the quoted market price of the shares of SRIBSG. The fair value measurement of the investment in SRIBSG is categorised within level 3 of the fair value hierarchy.

- (b) This represented a 0.74% equity interest in Zhejiang Shaoxing Rui Feng Rural Commercial Bank Co., Ltd, 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.

Notes to the Consolidated Financial Statements

13 INVENTORIES

	2022 RMB'000	2021 RMB'000
At cost:		
Raw materials	111,648	143,345
Work in progress	33,185	53,921
Finished goods	120,196	86,449
	265,029	283,715

The cost of inventories recognised as cost of sales amounted to RMB1,648,843,000 (2021: RMB1,616,644,000). No inventory provision was made as at 31 December 2022 and 2021.

14 PROPERTIES UNDER DEVELOPMENT

	2022 RMB'000	2021 RMB'000
Right-of-use for land	8,803,472	9,857,861
Development costs	5,218,928	4,768,142
Interest capitalised	155,363	312,684
	14,177,763	14,938,687

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

	2022 RMB'000	2021 RMB'000
Within the normal operating cycle included under current assets		
– to be completed over one year	6,426,711	7,149,631
– to be completed within one year	7,751,052	7,789,056
	14,177,763	14,938,687

As at 31 December 2022, properties under development amounted to RMB2,171,013,000 (2021: RMB4,535,889,000) were pledged as security for the Group's bank borrowings (Note 24(a)).

15 COMPLETED PROPERTIES HELD FOR SALE

	2022 RMB'000	2021 RMB'000
At cost	3,555,845	2,126,263
At net realisable value	614,733	102,205
	4,170,578	2,228,468

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

Write-downs of completed properties held for sale to net realisable value during the year ended 31 December 2022 amounted to RMB54,826,000 (2021: nil), which were recognised in profit or loss.

As at 31 December 2022, completed properties held for sale amounted to RMB638,747,000 (2021: nil) were pledged as security for the Group's bank borrowings (Note 24(a)).

16 TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Non-current assets		
Loans to joint ventures (a)	398,210	404,226
Loans to associates (b)	–	228,450
	398,210	632,676
Current assets		
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
	7,317,784	7,835,106

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

	2022 RMB'000	2021 RMB'000
At 1 January	491,363	687,182
Additions	15,000	56,734
Interest accrued	2,252	2,401
Repayments	(3,750)	(254,954)
	504,865	491,363
Less: provision for loss allowance (Note 3.1(b))	(10,473)	(5,272)
At 31 December	494,392	486,091
Less: current portion	(96,182)	(81,865)
Non-current portion	398,210	404,226

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

	2022 RMB'000	2021 RMB'000
At 1 January	375,175	238,145
Additions	–	137,030
Repayments	(232,497)	–
	142,678	375,175
Less: provision for loss allowance (Note 3.1(b))	(298)	(3,066)
At 31 December	142,380	372,109
Less: current portion	(142,380)	(143,659)
Non-current portion	–	228,450

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

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

	2022 RMB'000	2021 RMB'000
Trade receivables	5,332,120	5,402,402
Less: provision for loss allowance (Note 3.1(b))	(536,362)	(425,178)
	4,795,758	4,977,224

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:

	2022 RMB'000	2021 RMB'000
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	440,487	304,803
	5,332,120	5,402,402

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 (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.

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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:

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

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

(d) Other receivables and prepayments

	2022 RMB'000	2021 RMB'000
Other receivables:		
– Retention money and project deposits	635,394	645,135
– Advances to project managers	139,856	127,677
– Others	265,237	277,517
	1,040,487	1,050,329
Less: provision for loss allowance (Note 3.1(b))	(14,925)	(5,682)
	1,025,562	1,044,647
Prepayments:		
– Prepayments for land use rights for property development	840,509	1,206,298
– Prepaid income taxes	342,952	212,178
– Prepayments for buy-back of shares	–	76,487
– Others	74,441	92,748
	1,257,902	1,587,711
Other receivables and prepayments	2,283,464	2,632,358

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.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
At 1 January	488,548	760,352
Additions	290,000	861,000
Fair value changes	20,666	24,817
Disposals	(738,070)	(1,157,621)
At 31 December	61,144	488,548

Financial assets at FVPL included the following:

	2022 RMB'000	2021 RMB'000
Non-current:		
– Listed equity securities – the PRC	7,144	6,948
Current:		
– Bank financial products (a)	54,000	481,600
	61,144	488,548

- (a) The amount represented investments in financial products issued by banks with expected returns ranging from 2% to 4% 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

	2022 RMB'000	2021 RMB'000
Cash and bank deposits (i)	9,400,735	9,395,543
Less: Term deposits with initial term of over three months (ii)	(377,942)	(318,452)
Restricted bank deposits (Note 18)	(1,274,090)	(1,263,180)
	7,748,703	7,813,911

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

	2022 RMB'000	2021 RMB'000
Denominated in:		
– RMB	9,055,576	9,091,279
– USD	224,777	199,991
– Other currencies	120,382	104,273
	9,400,735	9,395,543

(ii) The weighted average interest rate as at 31 December 2022 of term deposits with initial term of over three months of the Group was 2.53% (2021: 2.50%).

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
At 1 January 2022					
– 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
Buy-back of H shares (a)	–	–	–	(145,644)	(145,644)
Cancellation of H shares (a)	(20,988)	(20,988)	(55,788)	76,776	–
	(20,988)	(20,988)	(55,788)	(68,868)	(145,644)
At 31 December 2022					
– Domestic shares	350,742	350,742	–	–	350,742
– H shares	188,904	188,904	419,686	(69,102)	539,488
	539,646	539,646	419,686	(69,102)	890,230
	Number of shares (thousands of RMB1 each)	Ordinary shares RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
At 1 January 2021					
– 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 and cancellation of H shares	(2,030)	(2,030)	(5,959)	(234)	(8,223)
At 31 December 2021					
– 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

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

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20 SHARE CAPITAL AND PREMIUM (CONTINUED)

- (a) During the year, the Company repurchased 39,644,000 H Shares, and 20,988,000 H Shares have been cancelled as at 31 December 2022, representing approximately 9.9994% and 3.7436% of the total number of H Shares and total number of issued shares of the Company, respectively, and 18,890,000 H shares remained uncanceled as at 31 December 2022 which were accounted for as treasury shares. The total amounts paid were approximately HKD167,270,000 (equivalent to approximately RMB145,644,000).

21 OTHER RESERVES

	Financial assets fair value reserve RMB'000	Statutory surplus reserve RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	(7,275)	225,695	(9,423)	208,997
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
At 31 December 2021	94,915	245,916	(5,347)	335,484
At 1 January 2022	94,915	245,916	(5,347)	335,484
Appropriation from retained earnings	–	7,074	–	7,074
Revaluation of financial assets at FVOCI (Note 12)	(25,091)	–	–	(25,091)
Revaluation-tax (Note 25)	6,272	–	–	6,272
Currency translation differences	–	–	(3,640)	(3,640)
At 31 December 2022	76,096	252,990	(8,987)	320,099

(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.

22 RETAINED EARNINGS

	2022 RMB'000	2021 RMB'000
At 1 January	9,494,855	8,726,599
Profit for the year	704,777	788,477
Transfer to statutory surplus reserve	(7,074)	(20,221)
At 31 December	10,192,558	9,494,855

As at 31 December 2022, included in retained earnings of the Group, RMB1,311,085,000 (2021: RMB1,142,254,000) was surplus reserve of subsidiaries attributable to the Company, of which RMB168,831,000 (2021: RMB160,901,000) was appropriated for the current year.

23 TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	9,732,569	8,931,312
Other payables	7,091,977	7,325,606
	16,824,546	16,256,918

(a) Trade payables

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

	2022 RMB'000	2021 RMB'000
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
	9,732,569	8,931,312

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

	2022 RMB'000	2021 RMB'000
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
	7,091,977	7,325,606

- (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.

24 BANK AND OTHER BORROWINGS

	2022 RMB'000	2021 RMB'000
Non-current liabilities		
Long-term bank borrowings		
– Secured (a)	818,980	1,283,950
– Unsecured with guarantee (b)	10,000	75,357
Asset-backed securities		
– Secured (c)	–	550,000
	828,980	1,909,307
Less: current portion	(242,440)	(946,082)
	586,540	963,225
Current liabilities		
Short-term bank borrowings		
– Secured (a)	45,000	29,000
– Unsecured with guarantee (b)	1,889,750	1,906,490
– Guaranteed by companies within the Group	214,406	207,549
Current portion of non-current liabilities	242,440	946,082
	2,391,596	3,089,121
Total bank and other borrowings	2,978,136	4,052,346

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

	2022 RMB'000	2021 RMB'000
Properties under development	2,171,013	4,535,889
Completed properties held for sale	638,747	–
Right-of-use for land	272,492	604,498
Investment properties	–	609,836
Property, plant and equipment	256,188	444,691
Equity interest in a subsidiary	–	23,000
	3,338,440	6,217,914

Notes to the Consolidated Financial Statements

24 BANK AND OTHER BORROWINGS (CONTINUED)

(b) These loans were guaranteed by:

	2022 RMB'000	2021 RMB'000
The Company	1,889,750	1,857,490
The Company and non-controlling interests (jointly)	10,000	75,357
Others	–	49,000
	1,899,750	1,981,847

(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.

According to the announcement dated on 18 November 2022, 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.

(d) The weighted average interest rate of borrowings was 3.79% per annum (2021: 4.22% per annum). 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:

	2022 RMB'000	2021 RMB'000
Within 1 year	2,391,596	3,089,121
Between 1 and 2 years	308,980	173,600
Between 2 and 5 years	277,560	584,225
Over 5 years	–	205,400
	2,978,136	4,052,346

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:

	2022 RMB'000	2021 RMB'000
6 months or less	1,508,416	1,545,422
Between 6 and 12 months	1,281,920	2,092,624
Between 1 and 5 years	187,800	414,300
	2,978,136	4,052,346

25 DEFERRED INCOME TAX

The amounts shown in the balance sheet included the following:

	2022 RMB'000	2021 RMB'000
Deferred tax assets:		
– To be recovered after more than 12 months	187,697	136,803
– To be recovered within 12 months	159,118	166,991
	346,815	303,794
Deferred tax liabilities:		
– To be settled after more than 12 months	(145,507)	(150,170)
– To be settled within 12 months	(70,126)	(56,488)
	(215,633)	(206,658)

Notes to the Consolidated Financial Statements

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
At 1 January 2021	95,353	75,441	84,284	(1,660)	253,418
Recognised in the income statement	31,891	(858)	17,683	1,660	50,376
At both 31 December 2021 and 1 January 2022	127,244	74,583	101,967	–	303,794
Recognised in the income statement	54,632	6,949	(18,560)	–	43,021
At 31 December 2022	181,876	81,532	83,407	–	346,815

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
At 1 January 2021	1,234	(7,698)	(79,133)	(64,147)	(1,791)	(151,535)
Recognised in the income statement	(48)	272	(12,767)	(8,572)	56	(21,059)
Recognised in other comprehensive income	(34,064)	–	–	–	–	(34,064)
At both 31 December 2021 and 1 January 2022	(32,878)	(7,426)	(91,900)	(72,719)	(1,735)	(206,658)
Recognised in the income statement	(50)	272	(8,609)	(8,595)	1,735	(15,247)
Recognised in other comprehensive income	6,272	–	–	–	–	6,272
At 31 December 2022	(26,656)	(7,154)	(100,509)	(81,314)	–	(215,633)

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 RMB210,990,000 (2021: RMB190,447,000) in respect of losses amounting to RMB882,218,000 (2021: RMB784,547,000) that can be carried forward against future taxable income. These tax losses will expire up to and including the year of 2027 (2021: 2026).

Notes to the Consolidated Financial Statements

26 OTHER INCOME

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

27 OTHER GAINS – NET

	2022 RMB'000	2021 RMB'000
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
	73,892	97,695

28 EXPENSES BY NATURE

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

	2022 RMB'000	2021 RMB'000
Depreciation of property, plant and equipment (Note 6)	280,886	239,275
Depreciation of right-of-use assets (Note 7)	24,641	25,997
Employee benefit expenses (Note 29)	4,705,754	5,586,383
Cost of construction contracts	12,712,660	16,053,070
Cost of properties sold	3,594,510	1,475,635
Impairment/(reversal of impairment) on completed properties held for sale	54,826	(455)
Changes in inventories of finished goods and work in progress	(13,011)	11,896
Raw materials and consumables used	1,661,854	1,604,748
Operating leases of buildings	11,940	13,362
Auditors' remuneration		
– Audit services	4,160	3,950
– Non-audit services	120	120
Others	429,260	568,960
	23,467,600	25,582,941

29 EMPLOYEE BENEFIT EXPENSES

	2022 RMB'000	2021 RMB'000
Wages and salaries	6,128,648	7,128,845
Welfare, medical and other expenses	82,284	95,373
Retirement benefit costs – defined contribution plans (a)	55,008	51,969
	6,265,940	7,276,187
Less: capitalisation	(1,560,186)	(1,689,804)
	4,705,754	5,586,383

(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% (2021: 14% 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 2022, the five individuals whose emoluments were the highest in the Group for the year were all executive directors (2021: 5 executive directors), whose emoluments are reflected in the analysis presented in Note 39.

30 FINANCE COSTS – NET

	2022 RMB'000	2021 RMB'000
Finance costs:		
Interests on bank and other borrowings and lease liabilities	194,055	218,563
Less: interest capitalised in properties under development	(122,182)	(103,744)
Less: interest capitalised in constructions in progress	(28,208)	(28,549)
	43,665	86,270
Net foreign exchange (gains)/losses on financing activities	(23,374)	5,282
	20,291	91,552
Finance income:		
Interest income from financial assets held for cash management purposes	(15,845)	(12,900)
Finance costs – net	4,446	78,652

The capitalisation rate applied to funds borrowed generally and used for the development of properties was approximately 4.43% per annum (2021: 4.72% per annum).

Notes to the Consolidated Financial Statements

31 INCOME TAX EXPENSES

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

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

(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%).

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:

	2022 RMB'000	2021 RMB'000
Profit before income tax	1,158,547	1,292,292
Add/(less): share of results of joint ventures	(55,337)	23,000
share of results of associates	(28,491)	(48,085)
	1,074,719	1,267,207
Calculated at a tax rate of 25% (2021: 25%)	268,680	316,801
Effects of different tax rates applicable to different subsidiaries of the Group	(25,154)	(30,803)
Income not subject to tax	(1,468)	(1,879)
Expenses not deductible for tax purposes	3,767	5,324
Unrecognised tax losses	84,561	85,862
Utilisation of previously unrecognised tax losses	(47,762)	(15,846)
Land appreciation tax deductible for CIT purpose	(51,506)	(15,820)
	231,118	343,639
PRC land appreciation tax	206,024	63,279
Income tax expenses	437,142	406,918

Notes to the Consolidated Financial Statements

32 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 (Note 20).

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

The Company had no dilutive potential shares in issue, thus the diluted earnings per share equalled 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 2022 (2021: nil).

34 CASH FLOW INFORMATION**(a) Cash generated from operations**

	2022 RMB'000	2021 RMB'000
Profit for the year	721,405	885,374
Adjustments for:		
Income tax expenses (Note 31)	437,142	406,918
Depreciation of property, plant and equipment (Note 6)	280,886	239,275
Depreciation of right-of-use assets (Note 7)	24,641	25,997
Net impairment losses on financial and contract assets	163,815	127,560
Impairment/(reversal of impairment) on completed properties held for sale (Note 15)	54,826	(455)
Gains on disposal of property, plant and equipment (Note 27)	(10,129)	(1,411)
Fair value losses on investment properties (Note 27)	5,386	1,035
Fair value gains of financial assets at FVPL (Note 27)	(196)	(196)
Gains on disposal of financial assets at FVPL (Note 27)	(20,470)	(24,621)
Interest income (Note 26)	(211,338)	(177,110)
Share of results of joint ventures (Note 11(a))	(55,337)	23,000
Share of results of associates (Note 11(b))	(28,491)	(48,085)
Changes in working capital (excluded the effects of acquisition of subsidiaries):		
Properties under development and completed properties held for sale	(1,120,085)	(1,985,428)
Restricted bank deposits	(10,910)	290,755
Inventories	18,686	4,939
Contract assets	296,449	(1,751,923)
Trade and other receivables	540,707	(1,110,986)
Contract liabilities	(155,088)	4,474,211
Trade and other payables	1,108,879	869,642
Cash generated from operations	2,040,778	2,248,491

Notes to the Consolidated Financial Statements

34 CASH FLOW INFORMATION (CONTINUED)

(b) Disposals of property, plant and equipment comprised:

	2022 RMB'000	2021 RMB'000
Property, plant and equipment		
Net book amounts (Note 6)	14,295	71,978
Gains on disposals (Note 27)	10,129	1,411
Proceeds	24,424	73,389

(c) Net cash reconciliation

Table below presents an analysis of net cash during 2022 and 2021.

	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	7,748,703	7,813,911
Term deposits with initial term of over three months	377,942	318,452
Restricted bank deposits	1,274,090	1,263,180
Borrowings – repayable within one year	(2,391,596)	(3,089,121)
Borrowings – repayable after one year	(586,540)	(963,225)
Net cash	6,422,599	5,343,197
Cash and bank balances	9,400,735	9,395,543
Gross debt – fixed interest rates	(1,961,886)	(3,016,239)
Gross debt – variable interest rates	(1,016,250)	(1,036,107)
Net cash	6,422,599	5,343,197

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
At 1 January 2021	4,653,855	1,271,312	2,164	5,927,331
Cash flows				
– Outflow from financial activities	(3,684,569)	(200,075)	(4,174)	(3,888,818)
– Inflow from financial activities	2,983,060	–	–	2,983,060
Acquisition of subsidiaries	100,000	–	–	100,000
Acquisition of new lease contracts	–	–	19,156	19,156
At 31 December 2021	4,052,346	1,071,237	17,146	5,140,729
At 1 January 2022	4,052,346	1,071,237	17,146	5,140,729
Cash flows				
– Outflow from financial activities	(4,425,317)	(528,292)	(6,681)	(4,960,290)
– Inflow from financial activities	3,351,107	–	–	3,351,107
Acquisition of new lease contracts	–	–	6,255	6,255
At 31 December 2022	2,978,136	542,945	16,720	3,537,801

35 FINANCIAL GUARANTEES

	2022 RMB'000	2021 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	1,928,050	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.

36 COMMITMENTS

(a) Commitments for capital expenditure

	2022 RMB'000	2021 RMB'000
Contracted but not provided for Property, plant and equipment	262,440	213,163

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

As at 31 December 2022, 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:

	2022 RMB'000	2021 RMB'000
Not later than 1 year	171,397	136,010
Later than 1 year and not later than 5 years	272,852	260,501
Later than 5 years	63,665	56,494
	507,914	453,005

The Group leased investment properties, building, plants and machinery and completed properties held for sale under various agreements which will terminate between 2023 and 2038. The agreements do not include any extension option.

(c) Commitments for investments

	2022 RMB'000	2021 RMB'000
Investments in and loans to joint ventures	112,200	114,920
Investments in and loans to associates	16,340	252,214
	128,540	367,134

37 RELATED-PARTY TRANSACTIONS

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

(a) Transactions with joint ventures

	2022 RMB'000	2021 RMB'000
Sales of goods	55,422	68,633
Provision of construction services	115,726	231,335
Rental income	3,310	3,310
Purchase of building materials	207,543	102,662
Purchase of technical consulting services	16,778	14,705

(b) Key management compensation

Key management of the Group include the directors and supervisors, whose compensation has been disclosed in Note 39.

(c) Balances with joint ventures

	2022 RMB'000	2021 RMB'000
Included in:		
Trade receivables	31,867	13,262
Trade payables	19,306	12,445

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY**Balance sheet of the Company**

		As at 31 December	
	Note	2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		9,804	11,620
Right-of-use assets		2,995	3,229
Investments in subsidiaries		1,701,386	2,004,156
Investments accounted for using the equity method		179,837	178,012
Financial assets at fair value through other comprehensive income		275,280	250,496
		2,169,302	2,447,513
Current assets			
Other receivables and prepayments		53,611	115,160
Loans to joint ventures		24,865	25,000
Cash and cash equivalents		475,890	882,948
		554,366	1,023,108
Total assets		2,723,668	3,470,621
EQUITY			
Share capital and premium		890,229	1,035,874
Other reserves	(a)	423,719	398,057
Retained earnings	(a)	1,096,628	1,032,966
Total equity		2,410,576	2,466,897
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		10,753	4,557
Current liabilities			
Amounts due to subsidiaries		236,929	949,699
Other payables		59,514	43,572
Current income tax liabilities		5,896	5,896
		302,339	999,167
Total liabilities		313,092	1,003,724
Total equity and liabilities		2,723,668	3,470,621

The balance sheet of the Company was approved by the Board of Directors on 27 March 2023 and was signed on its behalf.

Mr. Pang Baogen
Director

Mr. Gao Jiming
Director

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

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

	Other reserves		Retained earnings	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
At 1 January	398,057	356,890	1,032,966	850,975
Profit for the year	–	–	70,736	202,212
Transfer to statutory surplus reserve	7,074	20,221	(7,074)	(20,221)
Revaluation of financial assets at FVOCI, net of tax	18,588	20,946	–	–
At 31 December	423,719	398,057	1,096,628	1,032,966

39 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 2022 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	29	1,129
Mr. Gao Jiming	100	800	10	910
Mr. Gao Jun	100	800	20	920
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	102	7,294

39 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 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

- (i) Mr. Pang Baogen is the Chairman of the Board, as well as the chief executive of the Group.
- (ii) No emoluments were 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 2022 and 2021, 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 2022 and 2021.

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.

39 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(b) Directors' and supervisors' retirement benefits

No retirement benefits were 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

DEFINITION

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

Glossary

Listing Rules	The Rules governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
PRC	People's Republic of China
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
Supervisor(s)	The supervisor(s) of the Company
Supervisory Committee	The Supervisory Committee of the Company
The Company/Baoye	Baoye Group Company Limited, a joint stock limited company incorporated in the PRC and listed on the main board of the Stock Exchange
The Group/Baoye Group	The Company and its subsidiaries



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