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

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

(Stock Code: 2355)

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Baoye Group Company Limited\* (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2022. The following financial information is extracted from the audited consolidated financial statements as set out in the Group’s 2023 Annual Report.

\* For identification purposes only

## CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2023	2022
	Note	RMB'000	RMB'000
<b>Revenue</b>	4	<b>26,479,305</b>	24,425,350
Cost of sales		<u>(24,275,372)</u>	<u>(22,625,522)</u>
<b>Gross profit</b>		<b>2,203,933</b>	1,799,828
Other income	5	<b>260,715</b>	211,338
Other gains – net	6	<b>263,023</b>	73,892
Selling and marketing costs		<b>(201,276)</b>	(143,044)
Administrative expenses		<b>(816,860)</b>	(699,034)
Net impairment losses on financial and contract assets		<u>(230,776)</u>	<u>(163,815)</u>
<b>Operating profit</b>		<b>1,478,759</b>	1,079,165
Finance income		<b>17,039</b>	15,845
Finance costs		<b>(12,402)</b>	(20,291)
Finance costs – net		<b>4,637</b>	(4,446)
Share of results of investments accounted for using the equity method		<u>92,850</u>	<u>83,828</u>
<b>Profit before income tax</b>		<b>1,576,246</b>	1,158,547
Income tax expenses	7	<u>(681,866)</u>	<u>(437,142)</u>
<b>Profit for the year</b>		<b>894,380</b>	721,405
<b>Profit attributable to:</b>			
– Owners of the Company		<b>889,256</b>	704,777
– Non-controlling interests		<b>5,124</b>	16,628
		<u>894,380</u>	<u>721,405</u>
<b>Earnings per share for profit attributable to owners of the Company</b>			
– Basic and diluted (expressed in RMB yuan per share)	8	<u>1.69</u>	<u>1.30</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit for the year</b>	<b>894,380</b>	721,405
<b>Other comprehensive income/(loss):</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>461</b>	(3,640)
<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	<b>290,424</b>	(18,819)
<b>Total other comprehensive income/(loss) for the year, net of tax</b>	<b>290,885</b>	(22,459)
<b>Total comprehensive income for the year</b>	<b>1,185,265</b>	698,946
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	<b>1,180,141</b>	682,318
– Non-controlling interests	<b>5,124</b>	16,628
<b>Total comprehensive income for the year</b>	<b>1,185,265</b>	698,946

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,053,270	3,146,542
Right-of-use assets		723,156	758,540
Investment properties		1,132,408	758,548
Intangible assets		388,147	388,147
Investments accounted for using the equity method	10	485,694	402,735
Trade and other receivables	11	536,520	398,210
Financial assets at fair value through other comprehensive income		725,835	338,603
Financial assets at fair value through profit or loss		11,315	7,144
Deferred income tax assets		444,811	346,815
		<u>7,501,156</u>	<u>6,545,284</u>
<b>Current assets</b>			
Inventories		329,204	265,029
Properties under development		8,578,138	14,177,763
Completed properties held for sale		7,421,631	4,170,578
Contract assets	4(b)	6,613,284	6,889,311
Trade and other receivables	11	7,128,853	7,317,784
Financial assets at fair value through profit or loss		6,000	54,000
Restricted bank deposits		1,174,237	1,274,090
Term deposits with initial term of over three months		329,301	377,942
Cash and cash equivalents		9,432,353	7,748,703
		<u>41,013,001</u>	<u>42,275,200</u>
<b>Total assets</b>		<u><b>48,514,157</b></u>	<u><b>48,820,484</b></u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2023	2022
	Note	RMB'000	RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and premium		890,230	890,230
Other reserves		617,063	320,099
Retained earnings		11,075,735	10,192,558
		<u>12,583,028</u>	<u>11,402,887</u>
<b>Non-controlling interests</b>		<u>420,901</u>	<u>451,708</u>
<b>Total equity</b>		<u>13,003,929</u>	<u>11,854,595</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings		1,001,322	586,540
Lease liabilities		11,211	13,975
Deferred income tax liabilities		315,353	215,633
		<u>1,327,886</u>	<u>816,148</u>
<b>Current liabilities</b>			
Contract liabilities	4(b)	13,141,914	16,612,513
Trade and other payables	12	17,762,483	16,824,546
Lease liabilities		2,764	2,745
Bank and other borrowings		2,542,721	2,391,596
Current income tax liabilities		732,460	318,341
		<u>34,182,342</u>	<u>36,149,741</u>
<b>Total liabilities</b>		<u>35,510,228</u>	<u>36,965,889</u>
<b>Total equity and liabilities</b>		<u>48,514,157</u>	<u>48,820,484</u>

*Notes:*

**1. GENERAL INFORMATION**

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

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

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

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated, and was approved by the Board of Directors for issue on 28 March 2024.

**2. BASIS OF PREPARATION**

**2.1 Compliance with Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”)**

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.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

**2.2 Historical cost convention**

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

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

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

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

HKFRS 17	Insurance contract
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International tax reform – Pillar two model rules

The adoption of these amendments or annual improvements did not result in any significant impact on the results and financial position of the Group.

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

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group, so summarised below.

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
HK Interpretation 5 (2020)	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 sales and lease back	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

#### 4. SEGMENT INFORMATION

The segment information was as follows:

	Year ended 31 December 2023				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Segment revenue	17,376,840	7,285,893	4,122,760	742,452	29,527,945
Less: inter-segment revenue	(1,361,981)	–	(1,283,412)	(403,247)	(3,048,640)
<b>Revenue (from external customers)</b>	<b>16,014,859</b>	<b>7,285,893</b>	<b>2,839,348</b>	<b>339,205</b>	<b>26,479,305</b>
<b>Operating profit</b>	<b>614,466</b>	<b>854,798</b>	<b>7,212</b>	<b>2,283</b>	<b>1,478,759</b>
Depreciation	61,527	51,073	138,495	63,354	314,449
Net impairment losses on financial assets and contract assets	184,124	11,185	35,023	444	230,776
	Year ended 31 December 2022				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Segment revenue	19,002,359	4,533,460	3,345,079	745,213	27,626,111
Less: inter-segment revenue	(1,707,852)	(63,526)	(1,024,728)	(404,655)	(3,200,761)
<b>Revenue (from external customers)</b>	<b>17,294,507</b>	<b>4,469,934</b>	<b>2,320,351</b>	<b>340,558</b>	<b>24,425,350</b>
<b>Operating profit</b>	<b>320,388</b>	<b>606,539</b>	<b>141,268</b>	<b>10,970</b>	<b>1,079,165</b>
Depreciation	77,867	13,970	145,738	67,952	305,527
Net impairment losses/(reversal of impairment losses) on financial assets and contract assets	185,956	7,187	(30,376)	1,048	163,815

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

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

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



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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from provision of construction services:		
– Recognised over time	16,014,859	17,294,507
Revenue from sale of properties:		
– Recognised at a point in time	7,285,893	4,469,934
Revenue from sale of building materials:		
– Recognised at a point in time	1,461,474	1,112,716
– Recognised over time	1,377,874	1,207,635
	<u>2,839,348</u>	<u>2,320,351</u>
Others:		
– Recognised at a point in time	174,667	181,729
– Recognised over time	28,222	26,683
	<u>202,889</u>	<u>208,412</u>
Revenue from other sources:		
– Rental income	136,316	132,146
	<u>26,479,305</u>	<u>24,425,350</u>

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

(b) **Assets and liabilities related to contracts with customers**

Details of contract assets are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Relating to construction services	6,356,749	6,451,366
Relating to installation of building materials	471,886	521,059
	<u>6,828,635</u>	<u>6,972,425</u>
Less: provision for loss allowance	<u>(215,351)</u>	<u>(83,114)</u>
Total contract assets	<u>6,613,284</u>	<u>6,889,311</u>

Contract assets consist of unbilled amounts resulting from rendering of construction services and installation of building materials when the revenue recognised exceeds the amount billed to the customer.

Details of contract liabilities are as follows:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Related to construction services	<b>3,859,125</b>	3,432,701
Related to sale of properties	<b>8,844,200</b>	12,633,107
Related to sale of building materials	<b>438,589</b>	546,705
	<hr/>	<hr/>
Total contract liabilities	<b>13,141,914</b>	16,612,513
	<hr/>	<hr/>

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

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Provision of construction services	<b>1,997,179</b>	1,461,247
– Sale of properties	<b>6,118,962</b>	3,628,820
– Sale of building materials	<b>368,764</b>	294,638
	<hr/>	<hr/>
	<b>8,484,905</b>	5,384,705
	<hr/>	<hr/>

Unsatisfied contracts are:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Expected to be recognised within one year	<b>18,873,833</b>	23,187,718
Expected to be recognised after one year	<b>49,475,766</b>	43,863,453
	<hr/>	<hr/>
Total transaction price allocated to the unsatisfied contracts as of 31 December	<b>68,349,599</b>	67,051,171
	<hr/>	<hr/>

## 5. OTHER INCOME

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest income on		
– Financial assets held as investments	<b>193,734</b>	176,047
– Advances to project managers and joint ventures	<b>66,981</b>	35,291
	<b><u>260,715</u></b>	<u>211,338</u>

## 6. OTHER GAINS – NET

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Demolition compensation (a)	<b>375,656</b>	–
Government grants and compensation	<b>39,520</b>	38,205
Gains on disposal of financial assets at FVPL	<b>1,221</b>	20,470
Fair value losses from investment properties	<b>(153,792)</b>	(5,386)
Fair value (losses)/gains of financial assets at FVPL	<b>(2,184)</b>	196
Gains on disposal of property, plant and equipment	<b>8,825</b>	10,129
Donations	<b>(5,281)</b>	(4,965)
Net foreign exchange gains/(losses)	<b>3,015</b>	(1,172)
Others	<b>(3,957)</b>	16,415
	<b><u>263,023</u></b>	<u>73,892</u>

- (a) During the period, the Group's subsidiaries, namely Hubei Construction Engineering No. 1 Company Limited, Hubei Construction Engineering No. 2 Company Limited and Hubei Construction Engineering No. 5 Company Limited recognised compensation income for land, housing, storage and demolition of RMB6,910,000, RMB337,020,000 and RMB31,726,000 respectively.

## 7. INCOME TAX EXPENSES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax		
– PRC CIT	436,067	257,157
– Land appreciation tax	340,883	207,759
	<u>776,950</u>	<u>464,916</u>
Deferred income tax		
– PRC CIT	(95,084)	(26,039)
– Land appreciation tax	–	(1,735)
	<u>(95,084)</u>	<u>(27,774)</u>
	<u>681,866</u>	<u>437,142</u>

### (a) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profit for the year (2022: 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% (2022: 25%).

### (c) PRC land appreciation tax

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

## 8. EARNINGS PER SHARE

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

	2023	2022
Profit attributable to owners of the Company ( <i>RMB'000</i> )	<u>889,256</u>	<u>704,777</u>
Weighted average number of ordinary shares in issue during the year ( <i>thousands shares</i> )	<u>526,108</u>	<u>542,357</u>
Basic earnings per share ( <i>RMB yuan</i> )	<u>1.69</u>	<u>1.30</u>

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

## 9. DIVIDENDS

The board of directors did not recommend any payment of final dividend for the year ended 31 December 2023 (2022: Nil).

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Investments in joint ventures (a)	445,027	344,821
Investments in associates (b)	<u>40,667</u>	<u>57,914</u>
	<u>485,694</u>	<u>402,735</u>

### (a) Investments in joint ventures

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At 1 January	344,821	285,093
Additions	15,909	4,391
Dividends	(9,800)	–
Share of results	<u>94,097</u>	<u>55,337</u>
At 31 December	<u>445,027</u>	<u>344,821</u>
Represented by share of net assets	<u>445,027</u>	<u>344,821</u>

(b) **Investments in associates**

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
At 1 January	<b>57,914</b>	96,615
Disposal	<b>(16,000)</b>	(67,192)
Share of results	<b>(1,247)</b>	28,491
	<hr/>	<hr/>
At 31 December	<b>40,667</b>	57,914
	<hr/>	<hr/>
Represented by share of net assets	<b>40,667</b>	57,914
	<hr/>	<hr/>

As at 31 December 2023, there were no contingent liabilities relating to the Group's interests in the joint ventures and associates.

The directors of the Company considered that none of the joint ventures and associates is significant to the Group and thus the individual financial information of the joint ventures and associates is not disclosed.

**11. TRADE AND OTHER RECEIVABLES**

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Non-current assets</b>		
Loans to joint ventures (a)	<b>398,927</b>	398,210
Loans to associates (b)	<b>137,593</b>	–
	<hr/>	<hr/>
	<b>536,520</b>	398,210
	<hr/>	<hr/>
<b>Current assets</b>		
Trade receivables (c)	<b>4,930,759</b>	4,795,758
Other receivables and prepayments (d)	<b>2,122,751</b>	2,283,464
Loans to joint ventures (a)	<b>75,343</b>	96,182
Loans to associates (b)	–	142,380
	<hr/>	<hr/>
	<b>7,128,853</b>	7,317,784
	<hr/>	<hr/>

(a) **Loans to joint ventures**

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
At 1 January	<b>504,865</b>	491,363
Additions	<b>16,602</b>	15,000
Interest accrued	<b>1,873</b>	2,252
Repayments	<b>(39,555)</b>	(3,750)
	<b>483,785</b>	504,865
Less: provision for loss allowance	<b>(9,515)</b>	(10,473)
	<b>474,270</b>	494,392
At 31 December	<b>474,270</b>	494,392
Less: current portion	<b>(75,343)</b>	(96,182)
	<b>398,927</b>	398,210
Non-current portion	<b>398,927</b>	398,210

RMB50,125,000 (2022: RMB73,005,000) of loans to joint ventures are interest-bearing at interest rates range from 4% per annum to 5.25% per annum (2022: 4% per annum to 8% per annum), and the remaining amounts of the loans are interest-free, unsecured and repayable on demand.

(b) **Loans to associates**

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
At 1 January	<b>142,678</b>	375,175
Repayments	<b>(2,465)</b>	(232,497)
	<b>140,213</b>	142,678
Less: provision for loss allowance	<b>(2,620)</b>	(298)
	<b>137,593</b>	142,380
At 31 December	<b>137,593</b>	142,380
Less: current portion	<b>–</b>	(142,380)
	<b>137,593</b>	–
Non-current portion	<b>137,593</b>	–

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

(c) **Trade receivables**

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	<b>5,560,800</b>	5,332,120
Less: provision for loss allowance	<b>(630,041)</b>	(536,362)
	<b><u>4,930,759</u></b>	<u>4,795,758</u>

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

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	<b>1,714,935</b>	1,755,114
3 months to 1 year	<b>1,817,330</b>	1,729,791
1 to 2 years	<b>916,598</b>	1,026,272
2 to 3 years	<b>724,951</b>	380,456
Over 3 years	<b>386,986</b>	440,487
	<b><u>5,560,800</u></b>	<u>5,332,120</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2023, a provision of RMB630,041,000 (2022: RMB536,362,000) was made against the gross amount of trade receivables

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

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Denominated in:		
– RMB	<b>5,457,349</b>	5,243,364
– Other currencies	<b>103,451</b>	88,756
	<b><u>5,560,800</u></b>	<u>5,332,120</u>

As at 31 December 2023, the carrying value of trade receivables approximated their fair value.



(d) **Other receivables and prepayments**

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Other receivables:		
– Retention money and project deposits	<b>580,330</b>	635,394
– Advances to project managers	<b>127,828</b>	139,856
– Government Compensation	<b>378,256</b>	–
– Others	<b>276,523</b>	265,237
	<b>1,362,937</b>	1,040,487
Less: provision for loss allowance	<b>(18,421)</b>	(14,925)
	<b>1,344,516</b>	1,025,562
Prepayments:		
– Prepayments for land use rights for property development	<b>378,050</b>	840,509
– Prepaid income taxes	<b>299,144</b>	342,952
– Others	<b>101,041</b>	74,441
	<b>778,235</b>	1,257,902
Other receivables and prepayments	<b>2,122,751</b>	2,283,464

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

As at 31 December 2023, the carrying value of other receivables approximated their fair value.

As at 31 December 2023, the carrying amounts of other receivables and prepayments were mainly denominated in RMB.

## 12. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	10,761,627	9,732,569
Other payables	7,000,856	7,091,977
	<u>17,762,483</u>	<u>16,824,546</u>

### (a) Trade payables

As at 31 December 2023, the ageing analysis of the trade payables based on invoice date was as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	4,418,814	4,162,807
3 months to 1 year	3,733,685	3,476,631
1 to 2 years	1,360,660	1,102,236
2 to 3 years	851,171	702,380
Over 3 years	397,297	288,515
	<u>10,761,627</u>	<u>9,732,569</u>

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

### (b) Other payables

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Deposits from project managers	3,944,352	3,600,955
Amounts due to non-controlling interests (i)	486,597	542,945
Prepayments from government for housing demolition and relocation (ii)	451,092	794,922
Deposits from property purchasers	246,880	493,439
Other taxes payables	454,638	546,629
Salaries payables	105,062	85,912
Others	1,312,235	1,027,175
	<u>7,000,856</u>	<u>7,091,977</u>

(i) Amounts due to non-controlling interests were unsecured, interest free and repayable on demand.

(ii) Amount represents the prepayments received from the government for housing demolition and relocation projects.

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

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on 14 June 2024 (the “**AGM**”). The notice of the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 14 May 2024 to 14 June 2024, both dates inclusive, during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s H Shares registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for holders of H Shares), or to the Company’s office address at No.1687 Guazhu East Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Domestic Shares) no later than 4:30 p.m. on 13 May 2024.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results Review**

For the year ended 31 December 2023, the Group achieved a consolidated revenue of approximately RMB26,479,305,000 (2022: RMB24,425,350,000), representing an increase of approximately 8.4% compared to the previous year; operating profit reached approximately RMB1,478,759,000 (2022: RMB1,079,165,000), representing a substantial increase of approximately 37.0% compared to last year; profit attributable to owners of the Company amounted to approximately RMB889,256,000 (2022: RMB704,777,000), representing a substantial increase of approximately 26.2% compared to the previous year, earnings per share was RMB1.69 (2022: RMB1.30), representing a substantial increase of approximately 30.0% compared to the previous year.

In 2023, the internal and external economic situation was still complex and severe, and the Chinese real estate industry is still undergoing deep structural adjustment. Under the policy tone of “city-specific measures”, policy optimisation has been extended from third-fourth-tier cities to first-second-tier cities. However, the residents’ confidence in investment in housing was still needed to be boosted. The sharp contraction of the market has been testing the comprehensive life or death ability of real estate enterprises, construction enterprises and building materials enterprises in the whole industry chain. The Group has been adhering to the philosophy of stable operation and healthy development is much more important than the short-term performance to ensure a secured finance bottom line. The Group has maintained a sound balance financial resources and liabilities providing a solid backup for the long-term development of the Group under a severe and deep adjustment of the industry.

## Revenue

	For the year ended 31 December				Change
	2023		2022		
	RMB'000	% of total	RMB'000	% of total	
Construction	16,014,859	60%	17,294,507	71%	-7%
Property Development	7,285,893	28%	4,469,934	18%	63%
Building Materials	2,839,348	11%	2,320,351	10%	22%
Others	339,205	1%	340,558	1%	0%
Total	<u>26,479,305</u>	<u>100%</u>	<u>24,425,350</u>	<u>100%</u>	<u>8%</u>

## Operating profit

	For the year ended 31 December				Change
	2023		2022		
	RMB'000	% of total	RMB'000	% of total	
Construction	614,466	42%	320,388	30%	92%
Property Development	854,798	58%	606,539	56%	41%
Building Materials	7,212	0%	141,268	13%	-95%
Others	2,283	0%	10,970	1%	-79%
Total	<u>1,478,759</u>	<u>100%</u>	<u>1,079,165</u>	<u>100%</u>	<u>37%</u>

## Operating Profit Margin

	For the year ended 31 December		
	2023	2022	Change
Construction	3.8%	1.9%	107%
Property Development	11.7%	13.6%	-14%
Building Materials	0.3%	6.1%	-96%
Others	0.7%	3.2%	-79%

## Construction Business

For the year ended 31 December 2023, the Group's construction business achieved revenue of approximately RMB16,014,859,000, representing a decrease of approximately 7% from last year; operating profit amounted to approximately RMB614,466,000, representing a substantial increase of approximately 92% against last year, which was mainly due to a one-time compensation income of approximately RMB337,020,000 from the local government for the land, housing storage and demolition of a wholly-owned subsidiary of the Group in Wuhan City, Hubei Province for the public rail transportation construction. Excluding the one-time compensation income, the operating profit in construction business is about equal to that of last year. For details, please refer to the positive profit alert announcement of the Company dated 18 August 2023.

In 2023, against the background of an overall downturn in property industry and various challenges to economic growth, the Group was deeply engaged in its construction business in Jiangsu, Zhejiang and Shanghai, which are the most vibrant regions in China, and gave full play to the synergistic advantages of the upstream and downstream of the Group's three main businesses. The Group proactively expanded the projects invested by governments under the circumstance of rising risks and market shrinkage in property industry. The Group acquired new construction business orders of approximately RMB16.64 billion in 2023 (2022: RMB20.91 billion), an obvious decrease of approximately 20.4%. The Group valuate the risks carefully before bidding for projects to ensure the capital security. In 2023, the high-end projects acquired by the Group are as follows: Zhejiang Provincial Innovation Center of Advanced Textile Technology, Mirror Lake Hotel Upgrading Project, heating infrastructure EPC project in Qingguang Town, Beichen District, Tianjin City, Zhejiang SANLUX intelligent production line project, Keqiao Hangzhou Bay Innovation Center, land parcel C construction project of the Future Baseball Community, Wenzhou Medical Research and Innovation Center on Life and Health Project, sewage treatment EPC project in Beihuaidian Town, Ninghe District, Tianjin City, the westward extension project of the Qunxian Road from Keqiao District, Shaoxing City to Xiaoshan District, and etc.

The Group focuses on brand building. During the year, it always ranked among the best in Zhejiang's construction industry in terms of awards, which helped to enhance the Group's reputation. In 2023, the Group received a total of 60 awards. The key awards are set out as follows:

<b>Project Name</b>	<b>Award</b>
Shaoxing City Police Station's Business and Technology Building	Luban Award
Hangzhou Bay Accounting Institute (China Accounting Historical and Cultural Park)	Qianjiang Cup
Shaoxing Children's Welfare Institute Relocation Project	Lanhua Cup
Shaoxing Keqiao Yangshan Rock Climbing Center	Qinfangcheng Cup

<b>Project Name</b>	<b>Award</b>
Baoye Active Paradise	Gold Award of Zhan Tianyou Excellent Residential Community
Peacock City Aerospace Palace • Binjiang Garden Phase II	Chutian Cup
Baoye Dexin • Chenguangli Building 1#	Gold Award of Huanghe Cup
New City • The Pu-Yue Villa	Chutian Cup
Sunshine Garden	Shaohua Cup
Furong Medical Centre and Supporting Project	Hupo Cup

## **Property Development Business**

### ***Property Sales***

For the year ended 31 December 2023, revenue of the Group's property development business amounted to approximately RMB7,285,893,000, representing an obvious increase of approximately 63% from last year. Operating profit amounted to approximately RMB854,798,000, an obvious increase of approximately 41% compared with last year. The significant increase in revenue and operating profit from the property development business was mainly due to more areas and higher average selling price recognised during the year compared to the last year.

For the year ended 31 December 2023, revenue from property sales was mainly derived from the following projects, details of which are set out below:

<b>Project</b>	<b>Location</b>	<b>Average Selling Price (RMB/Sqm)</b>	<b>Floor Areas Sold (Sqms)</b>	<b>Revenue (RMB'000)</b>
Baoye Daban Green Garden	Shaoxing	27,089	98,849	2,677,725
Baoye Phoenix One	Ningbo	8,239	101,783	838,564
Baoye Yinghe Green Garden	Mengcheng	16,751	32,488	544,208
Baoye Shidai Green Garden	Mengcheng	6,237	84,945	529,837
Baoye Longhu Yucheng	Kaifeng	3,896	115,570	450,287
Baoye Four Seasons Garden	Shaoxing	21,629	18,847	407,636
Baoye Huangpi Phoenix City	Wuhan	7,346	44,785	328,989

For the year ended 31 December 2023, the sales contracts of the Group's property development business amounted to approximately RMB3.12 billion (2022: RMB2.88 billion) with a contract sale area of approximately 271,545 square metres, excluding the property sales registered under joint ventures, as they will be progressively completed, delivered and recognised as revenue in the next two to three years.

### *Projects under development*

As at 31 December 2023, the Group's projects under development are set out below:

<b>Project Name</b>	<b>Location</b>	<b>Total GFA Under Development (sqms)</b>	<b>Equity Interest of the Group</b>
Baoye Four Seasons Garden	Shaoxing	257,847	100%
Xialv Project • Yunxili	Shaoxing	214,970	60%
Fengyue Shangzhu	Hangzhou	49,497	100%
Xishan Yueyuan	Lishui	116,905	100%
Biou Jiayuan	Lishui	124,655	100%
Active Paradise	Shanghai	65,001	100%
Puyuan	Wuhan	165,144	100%
Qinyuan	Yichang	196,596	100%
Binhe Green Garden	Mengcheng	Under Planning	100%
Taihe Jiangnan Fu	Taihe	68,654	100%
Baoye Longhu Yucheng	Kaifeng	300,598	60%
Baoye Junyue Green Garden	Lu'an	216,407	100%
Yeji Jiangnan Fu	Lu'an	98,451	70%
Zhengzhou Project	Zhengzhou	Under Planning	51%
Sizhou Green Garden	Sixian	115,633	100%
Xuefu Green Garden	Sixian	Under Planning	100%
Qinglan Green Garden	Bozhou	404,465	51%

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a “province-rank” resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilisation 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. A few units under Phase II have been delivered while the remaining units are either under development or for sale.

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, is developed in two phases. It has been basically sold out and will be delivered in 2024.



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 and is projected to be delivered with Baoye's one-hundred-year housing refined decoration system in the second half of 2024.

Xishan Yueyuan, located in Liandu District, Lishui City, Zhejiang Province, has a total site area of approximately 45,173 square meters and a total gross floor area of approximately 116,905 square meters. The project consists of high-rise, multi-storey, well decorated mixed with non-decorated units buildings, some of which is built by Baoye'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 is developed in two phases, both of which are currently under construction and have started presale.

Biou Jiayuan, 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 is developed in two phases, both of which have been launched to the market for 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 embodies technical housing which leverages new industrialised prefabricated assembly technology and takes the essence of Industry 4.0 technology with exquisite craftsmanship and a fully imported production line of the global leading brand, German Vollert, in order to create premium residences. The project is now under construction and more than half of the residential units have been sold.

Baoye Puyuan, located at the center area of Guanggu Center, Donghu High-Tech Development District, Wuhan City, Hubei Province, has a total site area of approximately 45,582 square meters and a total gross floor area of approximately 165,144 square meters. A subsidiary of the Company acquired this piece of land in December 2022 at a total consideration of RMB1,199,900,000 through public bidding. The project is surrounded by convenient facilities and is close to the schools and parks. The project is closed to prosperity but far away from the noise. At present, the project is under construction and presale with sound results.

Baoye Qinyuan, located in center area of Wujiagang District, Yichang City, acquired by a subsidiary of the Company in December 2022 at a total consideration of RMB455,100,000 through public bidding, has a total land area of approximately 73,405 square meters and a total gross floor area of approximately 196,596 square meters. The project will be constructed with a rare plot ratio of 2.0 times in the center of Yichang City. The project is surrounded by schools and is close to Binjiang Park, 1st May Square and White Horse Park. The project will be developed in two phases and currently is under presale.



Mengcheng Binhe Green Garden, 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 is currently under construction and presale.

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 pre-sale in January 2022 and is planned to be delivered in 2024.

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 phase has commenced delivery to owners, and only few units remain for sale. The minority of third phase is currently under construction and pre-sale.

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. The commercial segment with a site area of approximately 7,220 square meters is under construction. 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 111,947 square meters on the west side of the project, which consists of 21 high-rises and will be developed in two phases. Phase I was delivered in July 2022, and part of Phase II was delivered in July 2023 and the remaining is under pre-sale.

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 pre-sale.

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 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.

Qinglan Green Garden, located in Lixin County, Bozhou City, Anhui Province, has a site area of approximately 171,109 square meters and gross floor areas of approximately 404,465 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 pre-sale.

### **New Land Reserve**

While the real estate industry is still undergoing tremendous changes and the growth model of “high leverage and fast turnover” that people used to rely on is now a thing of the past, the Group holds unwavering confidence in the future development of the property market which will place increased emphasis on financial soundness and refined project management. With regards to the new land reserve, the Group will continue to adopt a prudent attitude and adhere to the philosophy of prudent and innovative operations and the business principle of providing advanced products to the market. When the market shifts from frenzy to rationality, it is exactly the time for speculators to take actions and those who are deeply involved in the property industry to prevail.

### **Building Materials Business**

For the year ended 31 December 2023, revenue of the Group’s building materials business amounted to approximately RMB2,839,348,000, representing an increase of approximately 22% compared with last year; operating profit was approximately RMB7,212,000, a significant decrease of approximately 95% compared with last year.

For the year ended 31 December 2023, revenue from the Group's building materials is analysed below:

	For the year ended 31 December				Change
	2023		2022		
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	
Curtain Wall	<b>1,695,957</b>	<b>60%</b>	1,101,173	47%	54%
Ready-mixed Concrete	<b>172,283</b>	<b>6%</b>	180,894	8%	-5%
Furnishings and Interior Decorations	<b>131,643</b>	<b>5%</b>	230,574	10%	-43%
Wooden Products and Fireproof Materials	<b>109,898</b>	<b>4%</b>	90,607	4%	21%
PC assembly plate	<b>547,959</b>	<b>19%</b>	490,695	21%	12%
Steel Structure	<b>23,541</b>	<b>1%</b>	26,957	1%	-13%
Others	<b>158,067</b>	<b>5%</b>	199,451	9%	-21%
Total	<b><u>2,839,348</u></b>	<b><u>100%</u></b>	<b><u>2,320,351</u></b>	<b><u>100%</u></b>	<b><u>22.37%</u></b>

In 2023, due to the rising credit risk of the real estate enterprises, write-downs were made against the trade receivables and contract assets from the real estate enterprises with rising credit risks from the building materials of the Group, thus leading to the significant decrease of operation profit compared to last year.

### Construction stone mining rights

Yichang Baoye Mining Company Limited, a wholly-owned subsidiary of the Company, owns a construction stone mining right located in Yichang City, Hubei Province. In 2022, it acquired the mining right 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 2023, the mine was still under infrastructure construction and had not yet commenced mineral mining work, which is expected to commence in the first half of 2024.

## **BUSINESS PROSPECT**

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

Amid headwinds from macroeconomic downturn, rising risks from troubled property developers, and the decrease in projects invested and developed by local governments, construction enterprises in China, especially those private ones, are experiencing progressively difficult market circumstances, and many former construction enterprises have encountered difficulties in operations or even bankruptcy. In the past few years, thanks to the business philosophy “Healthy growth is more important than business performance” and the rigorous control of project risks and capital security, the Group has survived the downward cycle of the industry and also laid a solid foundation for its further sustainable development. In the future, subject to multiple internal and external headwinds such as mounting downward pressures on China's economic development, internal momentum for development to be strengthened, the ongoing global geopolitical conflicts as well as rising international trade frictions, China's construction industry will continue to face grim reality of the sharp market contraction. The Group will proactively explore new opportunities for its construction business from emerging livelihood projects in healthcare, elderly care, urban renewal, culture, sports and transportation, and seek for new business models in the stock market as traditional housing construction market transitions from a shortage of total volume to a new phase of quality enhancement.

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

Although the property sector in China has not yet come out of the bottom, the Group still firmly believe that the property development business will continue to generate substantial profits for the Group as long as the Group manage each and every project prudently with adherence to the philosophy of “Premium houses built by Baoye”.

The rapid development of China's urbanisation over the past four decades has resulted in property booms and consequent massive investments, thus the industry has long been operating under the "three highs" model (high housing prices, high debts, high degree of financialisation). In the past, property developers like Baoye who are deeply engaged in housing quality would have been considered as "laggards". However, the Group is convinced that the hope for property lies in the long-term trend rather than in the short-term cycle, despite the fact that the industry is tilted to the downside with subdued market confidence. In the future, the industry, without the limelight, will exist in its own form and with its own development prospects. Since China's urbanisation has reached where it is today, the property sector is going to end its dramatic and rapid development phase and usher in the advanced stage pursuing quality and technology to meet more human needs. Instead of simply considering housing prices, the future property industry will focus more on human attributes. In addition to population mobility and residential attributes of housing for different groups of people in different cities, it will also focus more on a series of demands attached to housing to improve living comfort such as environment, quality, education and elderly care. The Group proactively applies and promotes the one-hundred-year housing technology system, and has built three pilot projects of "one-hundred-year housing", namely Xinqiao Fengqing, Daban Green Garden and Xishan Yueyuan. Looking to the future, it will continue to enhance housing quality with technology and craftsmanship, and "build premium houses" by the standard of one-hundred-year housing, thereby surviving and developing in the general trend of transformation and upgrading in the property industry.

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

From setting up a "full-size, all-weather" construction laboratory, to recruiting international construction industrialization teams, to deepening exchanges and cooperation with industry leading enterprises worldwide such as Daiwa House in Japan and Sievert in Germany and jointly creating a massive advanced manufacturing cluster, the Group has been deeply engaged in the field of building industrialisation cluster manufacturing and building energy conservation. In the old days, too much attention was paid to the investment attributes of the property sector. In the future, when the use and investment of real estate gradually return to normal and there is no longer the advantage of cheap labour costs due to an aging population, construction industrialization can maximise the share of technology in the construction industry with its human-centred design, maximum factory intelligent prefabrication and the on-site assembly mode of 80,000 parts of industrial buildings throughout the entire process of projects. To know one's shortcomings and forge ahead, to aim for higher grounds and move forward. Looking ahead, the Group will apply the spirit of "keep promoting the transformation and upgrading of traditional industries rather than eliminating them as 'low-end industries'", refine its strengths, expand domestic leading advantages, keep up with international advances, and promote the synergistic development of the Group's building construction and property development with construction industrialization.

## **FINANCIAL REVIEW**

### **Financial Policies**

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

The Group 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 39.1% of the total borrowings (2022: 29.0%). In addition, approximately 56.2% of the total borrowings (2022: 63.5%) were guaranteed by the Company; approximately 0.7% of the total borrowings (2022: 0.3%) 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 2023, the Group has unutilised banking facilities amounting to approximately RMB8 billion. Details of which are analysed below:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
Cash and cash equivalents	<b>9,432,353</b>	7,748,703
Term deposits with initial term of over three months	<b>329,301</b>	377,942
Restricted bank deposits	<b>1,174,237</b>	1,274,090
Less: total borrowings	<b>3,544,043</b>	2,978,136
Net cash	<b>7,391,848</b>	6,422,599
Total equity attributable to owners of the Company	<b>12,583,028</b>	11,402,887
Net cash ratio	<b>58.7%</b>	56.3%

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

#### **Other Key Financial Ratios**

	<b>As at 31 December</b>	
	<b>2023</b>	2022
Return on equity	<b>7.1%</b>	6.2%
Net assets value per share (RMB yuan)	<b>24.16</b>	21.13
Current ratio	<b>1.2</b>	1.17

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

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

Current ratio = current assets/current liabilities

During this year, the profit attributed to owners of the Company was approximately RMB889,256,000, representing an increase of approximately 26.2% over last year. The return on shareholders' equity increased by approximately 14% over the previous year. And the net assets value per share increased by approximately 14.4% as compared to last year. As at 31 December 2023, the Group was still in a net cash position with a net cash ratio of 58.7%.



## Cash Flow Analysis

		For the year ended	
		31 December	
		2023	2022
	Note	RMB'000	RMB'000
Net cash generated from operating activities	(i)	1,431,117	1,303,545
Net cash (used in)/generated from investing activities	(ii)	(221,879)	410,581
Net cash generated from/(used in) financing activities	(iii)	465,917	(1,802,707)
Net increase/(decrease) in cash and cash equivalents		1,675,155	(88,581)
Exchange gains on cash and cash equivalents		8,495	23,373

### Note:

- i During the year, the net cash generated from operating activities was approximately RMB1,431,117,000, an increase of approximately RMB127,572,000 compared to the net cash of approximately RMB1,303,545,000 of last year, which was primarily due to decrease of payment in income tax expenses during the year.
- ii During the year, the net cash outflow generated from investing activities was approximately RMB221,879,000, a increase of cash outflow of approximately RMB632,460,000 compared to the net cash inflow of approximately RMB410,581,000 of last year, which was mainly due to the decrease in financial assets at fair value through profit or loss acquired and the increase in purchases of property, plant and equipment during the year.
- iii During the year, the net cash generated from financing activities is approximately RMB465,917,000, an increase of cash inflow of approximately RMB2,268,624,000 compared to the net cash outflow of approximately RMB1,802,707,000 of last year, which was mainly due to the decrease of bank borrowing payment.

## Other Gains – Net

During the year of 2023, the Group recorded other gains – net of approximately RMB263,023,000, representing an increase of approximately RMB189,131,000 compared to approximately RMB73,892,000 last year, mainly due to (i) Hubei Construction Engineering No. 2 Company Limited, a subsidiary of the Group, recognised a one-time compensation income of approximately RMB337,020,000 for land, housing, storage and demolition. The demolition was made by the local government according to Properties on State-owned Land Demolition Decision for the public city railway construction. The demolished land and housing were used as a commodity market. The demolition will not affect the Group's day-to-day operations. The property demolition and compensation is favorable for the Group to grasp the urban development opportunities, realise the commercial value of existing resources and enhance the overall efficiency of the Company and the shareholder returns, which is in line with the Group's overall strategic development goals and long-term interests. For details, please refer to the positive profit alert announcement of the Company dated 18 August 2023; (ii) Shanghai Baotuo Real Estate Development Company Limited, a subsidiary of the Group recorded a revaluation losses of approximately RMB150,438,000 on investment properties upon transfers from some property, plant and equipment.



## **Selling and Marketing Costs**

The Group's selling and marketing costs amounted to approximately RMB201,276,000 for the year ended 31 December 2023 (2022: approximately RMB143,044,000), representing an increase of approximately RMB58,232,000, mainly due to the increase in selling, marketing and business hospitality costs from the property development business.

## **Administrative Expenses**

The Group's administrative expenses amounted to approximately RMB816,860,000 for the year ended 31 December 2023, an increase of approximately RMB117,826,000 compared to approximately RMB699,034,000 of last year, primarily due to the increase in depreciation, research and development fees, and consulting fees.

## **Finance Costs**

During the year ended 31 December 2023, the Group recorded finance costs of approximately RMB12,402,000 (2022: RMB20,291,000).

## **Income Tax Expenses**

During the year ended 31 December 2023, income tax expense comprised of PRC corporate income tax of RMB340,983,000 (2022: RMB231,118,000) and PRC land appreciation tax of RMB340,883,000 (2022: RMB206,024,000) representing an increase of approximately RMB244,724,000, which was mainly due to more property projects recognised during the year, thus a significant increase in the provision for income tax and 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 2023, the Group's land appreciation tax amounted to approximately RMB340,883,000.

## Financial Guarantee

	<b>31 December 2023 RMB'000</b>	31 December 2022 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	<b>1,411,759</b>	1,928,050

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 2023, properties under development, property, plant and equipment, right-of-use for land and completed properties held for sale at a total value of approximately RMB2,887,990,000 (as at 31 December 2022: RMB3,338,440,000) were pledged to banks as security in securing bank borrowings.

## Capital Expenditure Plan

The Group adopts a prudent approach in capital expenditure spending to ensure security of cash resources. In consideration of the complicated and highly uncertain economic environment, currently the Group has no material capital expenditure plan.

## Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

## CONNECTED TRANSACTIONS

During the year of 2023, the Group had no connected transaction that would require disclosure under the Listing Rules

## CONTINGENT LIABILITIES

As at 31 December 2023, neither the Company nor the Group had any significant contingent liabilities (31 December 2022: Nil).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

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

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

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

## **HUMAN RESOURCES**

As at 31 December 2023, the Group had a total of 6,413 permanent employees (as at 31 December 2022: 6,560). Also, there were approximately 65,836 indirectly employed construction site workers (as at 31 December 2022: 67,896). These workers were not directly employed by the Group. For the year ended 31 December 2023, the total employee benefit expenses amounted to approximately RMB4,858,986,000. 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 2023, the gender ratio for the Group's employees was approximately 69.03% male and approximately 30.97% female. The Company has implemented a fair employment policy, and the recruitment has been merit-based without any discrimination. The Group 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 2023.

## **LITIGATION AND ARBITRATION**

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

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

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

## **CORPORATE GOVERNANCE CODE**

The Group has complied with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules as at the date of this announcement except for the vacancy of the chief executive officer. For further details, please refer to the Corporate Governance Report as set out in this annual report.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. As Mr. Pang Baogen, the chairman of the Board resigned as the chief executive officer with effect from 16 June 2023, the chief executive officer position was vacant. The Company deviated from this provision. The Board believed that Mr. Pang Baogen will make valuable contributions to the Company's overall strategic planning as a non-executive Director and the chairman of the Board. The Group appointed three general managers to oversee and manage the three main business activities (construction, property development and building materials) of the Group respectively. Currently, the Board comprises one non-executive Director, six executive Directors, and four independent non-executive Directors. The composition of the Board is competent to formulate overall strategic plans and key policies of the Group and is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

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 2024, the “Environmental, Social and Governance Report 2023” will be published at the websites of the Stock Exchange and the Company.

## **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 C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct for securities transactions by the Directors and the Supervisors (the “**Supervisors**”). Specific enquiries have been made by the Company and all the Directors and the Supervisors have confirmed that they have complied with the Model Code throughout the year of 2023. If any related employees possess information which may be considered as sensitive to the Company's share price and such information is not public, such employee has to comply with the written guidelines, which is as strict as the Model Code.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Xiao Jianmu (chairman), Mr. Li Wangrong and Mr. Fung Ching, Simon. The Audit Committee held four meetings on 25 March 2023, 24 August 2023, 21 September 2023 and 3 November 2023. Mr. Xiao Jianmu, Mr. Li Wangrong and Mr. Fung Ching, Simon attended the meetings. The Audit Committee has discussed the accounting policies, the critical accounting estimates and assumptions, the audit objectives and the scope of the Group's internal audit department with management. They also discussed with the auditors on their audit plans and key audit areas. The audited consolidated financial statements and the annual results announcement of the Group for the year ended 31 December 2023 had been reviewed by the Audit Committee before submission to the Board for adoption and approval.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The Group's consolidated financial statements for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers who has issued a standard unqualified audit opinion on these financial statements.

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2023 as set out in the announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

## **PUBLICATION OF ANNUAL REPORT**

The full text of the Group's 2023 Annual Report will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.baoyegroup.com](http://www.baoyegroup.com)) respectively in due course.

## **APPRECIATION**

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

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

Zhejiang, the People's Republic of China  
28 March 2024

*As at the date of this announcement, the Board comprises Mr. Pang Baogen as Chairman and non-executive Director, six executive Directors, namely, Mr. Gao Lin, Mr. Gao Jun, Mr. Jin Jixiang, Mr. Xu Gang, Mr. Wang Rongbiao and Mr. Xia Feng, and four independent non-executive Directors, namely, Mr. Li Wangrong, Ms. Liang Jing, Mr. Xiao Jianmu and Mr. Fung Ching, Simon.*

\* *For identification purposes only*