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 2018

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 2018 prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2017. The following financial information is extracted from the audited consolidated financial statements as set out in the Group's 2018 Annual Report.

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	5	**23,230,614**	18,978,200
Cost of sales		**(21,258,035)**	(17,697,062)
Gross profit		**1,972,579**	1,281,138
Other income	6	**116,706**	107,936
Other gains – net	7	**32,432**	51,105
Selling and marketing costs		**(82,764)**	(84,457)
Administrative expenses		**(585,760)**	(461,842)
Net impairment losses on financial and contract assets		**(59,605)**	(21,604)
Operating profit		**1,393,588**	872,276
Finance costs		**(26,767)**	(4,891)
Share of results of joint ventures		**17,038**	3,256
Share of results of associates		**(8,944)**	(1,094)
Profit before income tax		**1,374,915**	869,547
Income tax expense	8	**(460,002)**	(262,812)
Profit for the year		**914,913**	606,735
Profit attributable to:			
– Owners of the Company		**874,175**	608,895
– Non-controlling interests		**40,738**	(2,160)
		914,913	606,735
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB yuan per share)	9	**1.53**	1.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**914,913**	606,735
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	**400**	–
Items that may be reclassified to profit or loss		
Transfer of reserves to income statement upon sale of available-for-sale financial assets, net of tax	**–**	(11,655)
Change in fair value of available-for-sale financial assets, net of tax	**–**	12,152
Other comprehensive income for the year, net of tax	**400**	497
Total comprehensive income for the year	**915,313**	607,232
Total comprehensive income attributable to:		
– Owners of the Company	**874,575**	609,392
– Non-controlling interests	**40,738**	(2,160)
Total comprehensive income for the year	**915,313**	607,232

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**616,765**	491,382
Property, plant and equipment		**2,077,820**	1,473,768
Investment properties	*11*	**742,768**	617,169
Goodwill		**16,534**	16,534
Investments in joint ventures	*12(a)*	**244,322**	126,783
Loans to joint ventures	*12(b)*	**325,914**	374,453
Investments in associates	*13(a)*	**323,693**	15,547
Loans to associates	*13(b)*	**622,549**	230,939
Financial assets at fair value through other comprehensive income		**232,801**	–
Financial assets at fair value through profit or loss		**8,727**	–
Available-for-sale financial assets		**–**	241,628
Deferred income tax assets		**237,224**	343,350
Prepayments for investments in associates		**–**	158,865
		5,449,117	4,090,418
Current assets			
Inventories		**243,392**	179,165
Properties under development	*14*	**3,685,492**	4,527,638
Completed properties held for sale	*15*	**3,429,544**	3,559,157
Contract assets and contract acquisition costs		**3,681,687**	–
Due from customers on construction contracts		**–**	3,766,827
Trade receivables	*16*	**3,943,479**	3,668,651
Other receivables and prepayments		**4,126,542**	4,598,294
Loans to joint ventures	*12(b)*	**61,385**	–
Loans to associates	*13(b)*	**11,102**	–
Financial assets at fair value through profit or loss		**517,820**	–
Available-for-sale financial assets		**–**	249,250
Restricted bank deposits		**628,485**	658,125
Term deposits with initial term of over three months		**85,704**	90,199
Cash and cash equivalents		**3,698,252**	2,575,717
		24,112,884	23,873,023
Total assets		**29,562,001**	27,963,441

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31 December **2018** *RMB'000*	2017 *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**562,664**	586,210
Share premium		**481,433**	565,872
Reserves		**205,263**	205,633
Retained earnings		**7,087,446**	5,960,204
		8,336,806	7,317,919
Non-controlling interests		**230,734**	178,445
Total equity		**8,567,540**	7,496,364
LIABILITIES			
Non-current liabilities			
Borrowings		**434,057**	70,862
Deferred income tax liabilities		**143,400**	83,834
		577,457	154,696
Current liabilities			
Contract liabilities		**6,522,661**	–
Trade payables	*17*	**6,934,169**	6,083,747
Other payables		**4,628,528**	3,395,107
Receipts in advance		**–**	5,246,117
Due to customers on construction contracts		**–**	3,388,705
Borrowings		**1,865,430**	1,684,165
Current income tax liabilities		**466,216**	514,540
		20,417,004	20,312,381
Total liabilities		**20,994,461**	20,467,077
Total equity and liabilities		**29,562,001**	27,963,441

Notes:

1. GENERAL IMFORMATION

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 address of the Company's registered office is Yangxunqiao Township, Shaoxing County, 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 have been approved for issue by the Board of Directors on 25 March 2019.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

a. New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in current year:

- Financial instruments – HKFRS 9;
- Revenue from contracts with customers – HKFRS 15;
- Transfers of investment properties – amendments to HKAS 40;
- Investments in associates and joint ventures – Annual improvements to HKFRS 2014-2016 cycle – amendments to HKAS 28; and
- Interpretation 22 Foreign Currency Transactions and Advance Consideration.

The Group had to change its accounting policies and make certain modified retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and do not significantly affect the current period.

b. New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted

		Effective for the financial year beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRIC 23	Uncertainty over income tax treatment	1 January 2019
Amendments to HKFRS9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Annual improvements 2015-2017		1 January 2019
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The above new standards and amendments to standards and interpretations are effective for annual periods beginning on orafter 1 January 2019 and have not been applied in preparing these consolidated financial statements. The Group is in the process of assessing the impact of the above new standards and amendments to existing standards on the Group's consolidated financial statements.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

4.1 Impact on the financial statements

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standards below.

	31 December 2017 As originally presented	**Reclassifications and adjustments under HKFRS 9**	**Reclassifications and adjustments under HKFRS 15**	**1 January 2018 Restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated balance sheet (extract)				
Loans to joint ventures	374,453	(6,295)	–	368,158
Loans to associates	230,939	(2,309)	–	228,630
Available-for-sale financial assets ("AFS")	490,878	(490,878)	–	–
Financial assets at FVOCI	–	232,268	–	232,268
Financial assets at FVPL	–	258,610	–	258,610
Deferred income tax assets	343,350	6,295	(48,884)	300,761
Properties under development	4,527,638	–	(42,554)	4,485,084
Completed properties held for sale	3,559,157	–	(552,934)	3,006,223
Contract assets and contract acquisition costs	–	(3,792)	3,791,828	3,788,036
Due from customers on construction contracts	3,766,827	–	(3,766,827)	–
Trade receivables	3,668,651	(5,895)	–	3,662,756
Other receivables and prepayments	4,598,294	(6,890)	–	4,591,404
Contract liabilities	–	–	7,396,754	7,396,754
Other payables	3,395,107	–	192,382	3,587,489
Receipts in advance	5,246,117	–	(5,246,117)	–
Due to customers on construction contracts	3,388,705	–	(3,388,705)	–
Deferred income tax liabilities	83,834	–	139,223	223,057
Reserves	205,633	(5,519)	–	200,114
Retained earnings	5,960,204	(13,367)	273,787	6,220,624
Non-controlling interests	178,445	–	13,305	191,750

4.2 HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments – Disclosures.

The adoption of HKFRS 9 Financial instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The total impact on the Group's retained earnings and reserves due to classification and measurement of financial instruments as at 1 January 2018 is as follows:

	Retained earnings *RMB'000*	**AFS Reserve** *RMB'000*
Reclassify investments from AFS to financial assets at FVPL	5,519	(5,519)
Increase in impairment provision for trade receivables and contract assets	(9,687)	–
Increase in impairment provision for loans to joint ventures and associates	(8,604)	–
Increase in impairment provision for other receivables	(6,890)	–
Increase in deferred tax assets relating to impairment provisions	6,295	–
Total adjustments from adoption	(13,367)	(5,519)

(a) *Classification and measurement*

The Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	**AFS** *RMB'000*	**Financial assets at FVOCI** *RMB'000*	**Financial assets at FVPL** *RMB'000*
Reclassify bank financial products from AFS to financial assets at FVPL	(249,250)	–	249,250
Reclassify listed equity securities from AFS to financial assets at FVPL	(9,360)	–	9,360
Reclassify unlisted equity securities from AFS to financial assets at FVOCI	(232,268)	232,268	–
Total adjustments from adoption	(490,878)	232,268	258,610

(b) *Impairment of financial assets*

The Group has below financial assets at amortised cost subject to HKFRS 9's new expected credit loss model:

- trade receivables and contract assets
- loans to joint ventures and associates
- other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

(i) Trade receivables and contract assets

For trade receivables and contract assets, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables and contract assets. RMB9,687,000 was recognised in retained earnings as at 1 January 2018 for those trade receivables and contract assets whose credit risk has been assessed as other than low and for which the impairment methodology has been applied.

(ii) Loans to joint ventures and associates and other receivables

For loans to joint ventures and associates and other receivables already in place at 1 January 2018, the Group has determined that reliably assessing the probability of default at the initial recognition of each financial asset would result in undue cost and effort. As permitted by HKFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loans or the receivables are derecognised. RMB15,494,000 was recognised in retained earnings as at 1 January 2018 for those loans and receivables whose credit risk has been assessed as other than low and for which the impairment methodology has been applied.

4.3 HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18 Revenue ("HKAS18") and HKAS 11 Construction contracts ("HKAS11") that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract assets and contract acquisition costs and contract liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for progress billings previously presented as due to customers on construction contracts and receipts in advances.
- Contract assets recognised were previously presented as due from customers on construction contracts.

Accounting for revenue recognition of construction and other services and sale of building materials

The adoption of HKFRS 15 has no significant impact on the revenue recognition policies of rendering of construction and other services and sale of building materials.

Accounting for revenue recognition of property development activities

In prior years, the Group accounted for all revenue from property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the property that has no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchaser of the property is recognised as contract assets. The excess of cumulative billings to purchaser of the property over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalised as contract acquisition costs.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

5. SEGMENT OF INFORMATION

The segment information was as follows:

	Year ended 31 December 2018				
	Construction	**Property development**	**Building materials**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers	**18,516,418**	**3,084,867**	**2,944,077**	**305,325**	**24,850,687**
Recognised at a point in time	**–**	**2,402,384**	**1,497,974**	**281,391**	**4,181,749**
Recognised over time	**18,516,418**	**682,483**	**1,446,103**	**23,934**	**20,668,938**
Revenue from other sources					
Rental income	**–**	**–**	**–**	**84,870**	**84,870**
Total segment revenue	**18,516,418**	**3,084,867**	**2,944,077**	**390,195**	**24,935,557**
Less: inter-segment revenue	**(1,173,423)**	**–**	**(441,517)**	**(90,003)**	**(1,704,943)**
Revenue (from external customers)	**17,342,995**	**3,084,867**	**2,502,560**	**300,192**	**23,230,614**
Operating profit	**505,819**	**760,720**	**67,249**	**59,800**	**1,393,588**
Depreciation	**37,301**	**8,844**	**64,998**	**29,617**	**140,760**
Amortisation	**7,243**	**–**	**4,603**	**2,604**	**14,450**
Net impairment losses on financial and contract assets	**51,644**	**2,637**	**5,112**	**212**	**59,605**
Share of results of joint ventures	**(487)**	**15,400**	**3,189**	**(1,064)**	**17,038**
Share of results of associates	**(535)**	**(7,922)**	**(487)**	**–**	**(8,944)**
Income tax expense	**112,478**	**317,075**	**16,130**	**14,319**	**460,002**

	Year ended 31 December 2017				
	Construction	Property development	Building materials	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	14,987,098	2,658,576	2,139,681	232,846	20,018,201
Less: inter-segment revenue	(708,372)	–	(279,817)	(51,812)	(1,040,001)
Revenue (from external customers)	14,278,726	2,658,576	1,859,864	181,034	18,978,200
Operating profit	424,881	382,900	31,398	33,097	872,276
Depreciation	32,174	3,168	55,143	27,349	117,834
Amortisation	6,151	–	4,176	2,574	12,901
Net impairment losses on financial and contract assets	20,298	–	1,306	–	21,604
Share of results of joint ventures	547	(11,068)	7,265	–	(3,256)
Share of results of associates	3	–	1,091	–	1,094
Income tax expense	100,450	143,886	10,400	8,076	262,812

6. OTHER INCOME

Other income represented interest income from bank deposits, advances to project managers and other financial assets at amortised cost.

7. OTHER GAINS – NET

	2018	2017
	RMB'000	*RMB'000*
Gains on disposal of financial assets at FVPL	**18,933**	–
Government grants and compensation	**11,618**	10,051
Fair value gains of investment properties	**2,998**	381
Fair value (losses)/gains of financial assets at FVPL	**(633)**	18,866
Gains on disposal of land use rights	**–**	20,402
Gains on disposal of AFS	**–**	15,540
Losses on disposal of property, plant and equipment	**(870)**	(609)
Losses on disposal of subsidiaries	**–**	(3,335)
Donations	**(4,397)**	(4,267)
Net foreign exchange gains/(losses)	**5,099**	(5,042)
Others	**(316)**	(882)
	32,432	51,105

8. INCOME TAX EXPENSE

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

	2018	2017
	RMB'000	*RMB'000*
Current income tax		
– PRC CIT	**287,045**	252,120
– Land appreciation tax	**189,210**	52,903
Deferred income tax		
– PRC CIT	**43,821**	(42,211)
– Land appreciation tax	**(60,074)**	–
	460,002	262,812

(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 (2017: 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 reduced 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% (2017: 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.

9. EARNINGS PER SHARE

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

	2018	2017
Profit attributable to the owners of the Company (RMB'000)	**874,175**	608,895
Weighted average number of ordinary shares in issue during the year (thousands shares)	**571,940**	589,975
Basic earnings per share (RMB yuan)	**1.53**	1.03

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

10. DIVIDENDS

The board of directors did not recommend any payment of final dividend for the year ended 31 December 2018 (2017: Nil).

11. INVESTMENT PROPERTIES

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**617,169**	597,079
Transfer from completed properties held for sale	**122,601**	19,709
Fair value gain	**2,998**	381
At 31 December, at fair value	**742,768**	617,169

12 INVESTMENTS IN AND LOANS TO JOINT VENTURES

(a) Investments in joint ventures

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**126,783**	86,430
Additions	**116,500**	47,100
Share of results	**710**	(7,904)
Adjustment for transactions between the Group and joint ventures	**329**	1,157
At 31 December	**244,322**	126,783
Represented by share of net assets	**244,322**	126,783

As at 31 December 2018, there were no contingent liabilities relating to the Group's interest in the joint ventures.

(b) Loans to joint ventures

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**374,453**	–
Additions	**18,509**	310,697
Transfer from current assets	**–**	61,528
Interest accrued	**2,235**	2,228
Repayments	**(2,303)**	(11,160)
Recovery of impaired loans	**928**	11,160
	393,822	374,453
Less: provision for loss allowance	**(6,523)**	–
At 31 December	**387,299**	374,453
Less: current portion	**(61,385)**	–
Non-current portion	**325,914**	374,453

RMB54,492,000 (31 December 2017: RMB55,867,000) of loans to joint ventures are interest bearing at market lending rates with maturity date of 24 August 2019, and the remaining amounts of the loans are interest-free, unsecured and repayable on demand.

13 INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES

(a) Investments in associates

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**15,547**	13,741
Additions (i)	**317,090**	3,300
Share of results	**(8,944)**	(1,094)
Dividends received	**–**	(400)
At 31 December	**323,693**	15,547
Represented by share of net assets	**323,693**	15,547

(i) Additions during the year mainly represented the incorporation of Hebao (Nantong) Real Estate Development Co., Ltd ("Hebao") in the PRC. The Group invested RMB286,830,000 for a 33% equity interest in Hebao which is mainly engaged in property development and agency.

As at 31 December 2018, there were no contingent liabilities relating to the Group's interest in the associates.

(b) Loans to associates

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**230,939**	–
Additions (ii)	**395,750**	230,939
Interest accrued	**13,306**	–
	639,995	230,939
Less: provision for loss allowance	**(6,344)**	–
At 31 December	**633,651**	230,939
Less: current portion	**(11,102)**	–
Non-current portion	**622,549**	230,939

(ii) During the year, shareholders of an associate, Hebao, made advances to the associate in proportion to their respective shareholding. These advances were unsecured and the Group does not intend to withdraw the advances in the near future.

Loans to associates are unsecured and repayable on demand, of which RMB305,574,000 (31 December 2017: Nil) are interest bearing at market lending rates and the remaining amounts are interest-free.

14. PROPERTIES UNDER DEVELOPMENT

	2018	2017
	RMB'000	*RMB'000*
Land use rights	**2,651,472**	2,858,919
Development costs	**980,046**	1,621,967
Finance costs capitalised	**53,974**	46,752
	3,685,492	4,527,638

15. COMPLETED PROPERTIES HELD FOR SALE

	2018	2017
	RMB'000	*RMB'000*
Land use rights	**976,939**	705,637
Development costs	**2,375,370**	2,788,554
Finance costs capitalised	**85,074**	78,801
	3,437,383	3,572,992
Less: provision of impairment	**(7,839)**	(13,835)
	3,429,544	3,559,157

16. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**4,151,346**	3,815,289
Less: provision for loss allowance	**(207,867)**	(146,638)
	3,943,479	3,668,651

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:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**2,190,293**	1,802,276
3 months to 1 year	**903,253**	1,197,142
1 to 2 years	**478,874**	596,405
2 to 3 years	**394,229**	59,017
Over 3 years	**184,697**	160,449
	4,151,346	3,815,289

17. TRADE PAYABLES

As at 31 December 2018, the ageing analysis of the trade payables based on invoice date was as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**2,448,729**	2,742,953
3 months to 1 year	**2,291,515**	2,305,769
1 to 2 years	**1,470,413**	616,744
2 to 3 years	**333,999**	285,813
Over 3 years	**389,513**	132,468
	6,934,169	6,083,747

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 24 June 2019 (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 24 May 2019 to 24 June 2019, both dates inclusive, during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre,183 Queen's Road East, Hong Kong (for holders of H Shares), or to the Company's office address at No.501 Shanyin West Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Domestic Shares) no later than 4:30 pm on 23 May 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the year ended 31 December 2018, the Group achieved a consolidated revenue of approximately RMB23,230,614,000 (2017: RMB18,978,200,000), representing an increase of approximately 22.4% compared to the previous year; operating profit reached approximately RMB1,393,588,000 (2017: RMB872,276,000), representing a surge of approximately 59.8% compared to last year; profit attributable to the owners of the Company amounted to approximately RMB874,175,000 (2017: RMB608,895,000), representing a surge of approximately 43.6% from last year, earnings per share for profit attributable to the owners of the Company was RMB1.53 (2017: RMB1.03), representing a surge of approximately 48.5% compared to last year.

In accordance with the established development strategy, the Group continued to strengthen ourselves in the niche market in 2018, and all three business segments achieved good operating results. In the future, we will continue to adhere to the existing development strategy to achieve "I had it while others do not. I had better ones while others had it". Through detailed research and analysis, we will find out the potential real estate markets which are relatively saturated with ordinary houses, provide them with high quality and high technology housing and increase the land reserve in those locations that are in need. In the mean time, we will continue to invest in research and development of building industrialization, expand the spot-setting of construction industrialization and consolidate our position in the construction industry. Based on the above considerations, the Board of Directors does not recommend the payment of the final dividend for 2018.

Revenue

	For the year ended 31 December				
	2018		2017		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**17,342,995**	**75%**	14,278,726	75%	21%
Property Development	**3,084,867**	**13%**	2,658,576	14%	16%
Building Materials	**2,502,560**	**11%**	1,859,864	10%	35%
Others	**300,192**	**1%**	181,034	1%	66%
Total	**23,230,614**	**100%**	18,978,200	100%	22%

Operating profit

	For the year ended 31 December				
	2018		2017		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**505,819**	**36%**	424,881	49%	19%
Property Development	**760,720**	**55%**	382,900	44%	99%
Building Materials	**67,249**	**5%**	31,398	4%	114%
Others	**59,800**	**4%**	33,097	3%	81%
Total	**1,393,588**	**100%**	872,276	100%	60%

Construction Business

For the year ended 31 December 2018, the Group's construction business achieved revenue of approximately RMB17,342,995,000, representing a growth of approximately 21% over last year; operating profit amounted to approximately RMB505,819,000, representing an increase of approximately 19% over last year. The increase of revenue and operating profit of the construction business was mainly due to the increased construction capacity of construction projects and the accelerated completion of construction projects that were contracted for in 2017 and 2018.

Under the a combination of adverse effect of many economic development constraints at home and abroad, 2018 was a difficult year for a traditional construction companies. Infrastructural investment was weak. Sales in the real estate market slowed down. Costs of construction materials, equipment leasing and labor rose. Under such operating environment, the Group's construction business had fully utilized the Group's resource advantages to realize the business model of "three-in-one" joint development of construction, real estate development and construction industrialization. While continuing to consolidate the traditional construction business, we undertook EPC contracting as the starting point, direct operation of project as driving force, and eventually achieved the expansion from quantity to quality. In terms of brand creation, the Group strengthened the management of project files, strengthened the overall planning of the construction site, actively promoted the application of aluminum molds, strictly controlled the construction materials, and continuously improved the quality of construction. In 2018, the Group won satisfactory results in various competitions in industry awards. A total of three (including home and abroad) projects (main contractor and participant) were award Luban prizes (the national highest quality prize). In 2018, the construction business continued to contribute most of the revenue and stable profit to the Group. The new contract value was approximately RMB23.6 billion (2017: approximately RMB20.8 billion), representing an increase by 13.5% compared to last year. We have undertaken a number of high-end projects, such as Donghua University Songjiang Campus Graduate Apartment, Harbin Fengshu Nangang Logistics Park Project, Shimao skyscraper city project in Jinan, Jindian Road Country Garden Project in Kunshan, Pinhu Dushan Prot EPC Project, Shaoxing Secondary School Expansion Project EPC General Contracting, etc.

The Group focuses on brand building. It was the leader of all competitions in industry awards during the year in Zhejiang,which helped to enhance the Group's reputation. In 2018, the Group received a total of 44 awards, the key awards are appended below:

Projects Name	**Awards**
Kaifeng Haihui Centre	Luban Award
Djibouti Jura Port Project	Luban Award
Cixi Grand Theatre	Luban Award
Jiangnanyan Garden Complex Builiding	Baiyulan Cup
Tianjing fourth Middle School	Haihe Cup
Baoye I Do	Baiyulan Cup
Guanggu Xinhui	Chutian Cup
Phase III of Yichang Interbatuional Trade Center	Chutian Cup
Xinhu Comprehensive Experiment Building of Wuhan University	Chutian Cup

Property Development Business

Property Sales

For the year ended 31 December 2018, revenue of the Group's property development business amounted to approximately RMB3,084,867,000, representing an increase of approximately 16% from last year. Operating profit amounted to approximately RMB760,720,000 representing a surge of approximately 99% compared to last year. The sharp increase of operating profit was the result of higher profit margin sale units recognized during the year.

For the year ended 31 December 2018, 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 Wanhuacheng	Shanghai	18,428	28,792	530,579
Baoye Four Seasons Garden	Shaoxing	29,726	15,718	467,225
Baoye Ido	Shanghai	41,763	10,106	422,053
Baoye Guanggu Lidu	Wuhan	14,568	28,290	412,135
Baoye City Green Garden	Taihe	4,882	82,631	403,423
Baoye Xiaoyao Luyuan	Mengcheng	5,446	69,775	379,962

For the year ended 31 December 2018, the sales contracts of the Group's property development business amounted to approximately RMB2.78 billion (2017: RMB3.04 billion) and a contract sale area of approximately 237,613 square metres.

Projects under development

As at 31 December 2018, the Group's projects under development are set out below:

Project Name	Location	Total Estimated Gross Floor Area under Development *(Sqms)*	Equity Interest of the Group
Baoye Four Seasons Garden	Shaoxing	300,000	100%
Baoye Xinqiao Fengqing	Shaoxing	136,000	100%
Xialv Project	Shaoxing	Under Planning	60%
Huajie Fengqing	Lishui	260,363	100%
Jingang Apartment	Lishui	20,784	100%
Quzhou Project	Quzhou	335,600	100%
Xinzhou Project	Wuhan	Under Planning	100%
Binhu Lvyuan	Mengcheng	201,572	100%
Fuxing Jiayuan	Jieshou	467,293	100%
Baoye Xuefu Green Garden	Bengbu	79,000	63%
Baoye City Green Garden	Taihe	95,770	55%
Baoye Longhu Yucheng	Kaifeng	80,000	60%
Baoye Junyue Green Garden	Lu'an	51,205	100%
Nanhai Jiayuan	Lu'an	305,500	70%
Zhengzhou Project	Zhengzhou	Under Planning	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. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 5 kilometres from the downtown of Shaoxing City, it is known as the "natural treasure in the heart of a city". Baoye Four Seasons Garden has a site area of approximately 1,050,000 square metres and a planned gross floor area of approximately 650,000 square metres for the development of deluxe villas, semi-detached villas and town houses. It also consists of a golf club, a five-star resort hotel, two leisure parks, a sport park, a shopping arcade, kindergarten and a central lakeside garden fully equipped with supporting facilities. Construction of phase I had been almost completed and parts of units remain unsold. Phase II, with a total gross floor area of 300,000 square metres is under planning. The first town houses started presale at the end of 2018.

Baoye Xinqiao Fengqing is located in Beihai community, Yuecheng District, the west of Shaoxing City, supported by convenient transportation, well developed community facility and school resources. The project has a site area of approximately 41,158 square metres and an estimated gross floor area of approximately 136,000 square metres, aiming to be developed as a 14 high-rise building project with river view, of which 4 building will be constructed by adoption of PC-manufacture methodology according to plan. The project will be developed in three phases, of which phase I and phase II, a total of 64,152 square metres had been almostly sold out. Phase III had started presale in the second half year of 2018 and registered a satisfactory presale results. The project will be delivered in the second half year of 2019.

Xialv Project consists of three separate parcels of land with a total cost of RMB511,036,354 and a total land site area of 262,862 square meters, pursuant to which the Group is interested in 60%. The Group acquired the land use rights through public auction in 2017. As at the date of this announcement, one of the three parcels of land has begun planning.

Huajie Fengqing is located in Liandu District, Lishui City, Zhejiang Province. It covers a site area of 95,794 square meters and has a total construction area of 260,363 square meters. The residential area is 165,516 square meters of which about 106,563 square meters will be repurchased by the government. The plot ratio is 1.88. The remaining 58,953 square meters are owned by Baoye for sale. The project is in the early stage of planning and the presale is expected to begin in September 2019.

Jingang Apartment, located in Liandu District, Lishui City, Zhejiang Province, has a site area of 14,846 square metres and a total gross floor area of 20,784 square metres with 1.34 times plot ratio, of which 17,652 square meters will be repurchased by the local government and the remaining 3,132 square meters will be held and sold by Baoye. The project basically had been sold out by now and expected to be completed and delivered at the end of 2019.

The Quzhou project is located in Quzhou City, Zhejiang Province, with a total area of 127,272 square meters and a planned gross floor area of 335,600 square meters. The project is currently in the early stage of planning and is expected to be fully delivered in 2021. It will be repurchased by the government after completion.

Wuhan Xinzhou project 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 million. As at the date of this announcement, the project is under planning.

Binhu Lvyuan, located in Mengcheng County, Anhui Province, has a total site area of 78,640 square meters and gross floor area of 201,572 square meters of high-rise residential buildings, garden houses, townhouses and commercial housing. The Group acquired this parcel of land use right in August 2018 at a consideration of RMB366 million. The project is currently under planning.

Fuxing Jiayuan, located in Jieshou City, Fuyang City, Anhui Province, has a total site area of 172,656 square metres and gross floor area of 467,293 square meters. The Group acquired this parcel of land use right in June 2018 by public tendering at a total consideration of RMB370,348,121. The project has started the construction and is expected to be delivered to owners in 2020. The project will be repurchased by the local government when completed.

Baoye Xuefu Luyuan, is located in Bengbu City, Anhui Province. It has a total site area of approximately 62,600 square metres and an estimated gross floor area of approximately 199,700 square metres of which approximately 20,000 square metres are affordable housing. The project comprises 15 buildings. Phase I has been delivered to buyers in 2017. Phase II, with a gross floor area of approximately 79,000 square meters is under construction and is expected to be delivered to buyers at the end of 2019.

Baoye Taihe City Green Garden is located in Taihe County, Anhui Province with a total gross floor area of 420,000 square metres, comprising of unique and niche residential units, elegance shopping arcade, an international bilingual kindergarten and high-end swimming pool facilities. Personalized and scientific design in dividing motor vehicle flow and pedestrian flow enable residents to enjoy quality and comfortable living. The project is closed to an eco-friendly park with rich community facilities, which sets the new generation in the city. The project will be developed in four phases, of which phase I and II had already been delivered to buyers, phase III with 94,145 square meters had almost been sold out and delivered at the end of 2018. Phase IV with 95,770 square meters is expected to be delivered in 2020.

Baoye Longhu Yucheng, is located in a prime area of Eastern New City, Kaifeng County, 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 is being developed in 5 phases, of which certain completed units of phase I, had been delivered to owners, the remaining units with approximately 80,000 square meters are under development. Phase II had started construction and started the presale in August 2018. Phase III is still under planning.

Baoye Junyue Green Garden is located in Lu'an city, Anhui Province. Baoye bided for the project through judicial auction in September 2017. 80% of the phase I, a total of 51,205 gross square meters has finished construction when auctioned, while the remaining site area of 36,196 square meters is clean land for development. The project enjoys well-developed facilities, convenient transportation with parks, banks and shopping malls. The project is being developed in two phases which are under presale.

Nanhai Jiayuan, located in Lu'an City, Anhui Province, has a site area of 125,526 square meters and a total gross floor area of 305,500 square meters, phase I of which has finished the main construction in the second half year of 2018, while phase II is under construction. The project is expected to be delivered to the local government in 2019.

Zhengzhou Project, with a total site area of 336,776 square meters, located in Zhengzhou City, Henan Province, the Group acquired this parcel of land use right in November 2018 at a consideration of RMB184,660,000. The project is in Jianshan Tourist Resort Zone, with convenient transportation, spectacular scenery and historical culture. The project is under planning currently.

New Land Reserve

In 2018, the newly acquired land reserve is tabulated below:

Time table	**Location**	**Cost**	**Land area**	**Planed construction area**	**Equity**
		(RMB thousand)	*(Sqms)*	*(Sqms)*	
June,2018	Anhui	370,348	172,656	467,293	100%
August,2018	Anhui	366,000	78,640	201,572	100%
August,2018	Zhejiang	360,140	127,272	335,600	100%
October,2018	Zhejiang	542,000	95,794	260,363	100%
November,2018	Henan	184,660	336,776	Under Planning	51%

The Group continues to adopt a prudent but proactive role in land acquisition and business expansion. The Group has land reserve in cities in the eastern and central China, such as Zhejiang, Hubei, Shanghai, Anhui and Henan, which can ensure its profits and capability of risk resistance benefitting from low land cost and reasonable regional coverage.

Building Materials Business

For the year ended 31 December 2018, revenue of the Group's building materials business amounted to approximately RMB2,502,560,000, representing an increase of approximately 35% over last year; operating profit was approximately RMB67,249,000, representing a surge of approximately 114% from last year.

For the year ended 31 December 2018, revenue from the Group's building materials is analysed below:

	For the year ended 31 December				
	2018		2017		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Curtain Wall	**1,173,115**	**47%**	1,032,978	55%	14%
Ready-mixed Concrete	**717,815**	**29%**	327,410	17%	119%
Furnishings and Interior Decorations	**205,096**	**8%**	218,658	12%	–6%
PC assembly plates	**158,069**	**6%**	66,599	4%	137%
Wooden Products and Fireproof Materials	**90,083**	**4%**	88,864	5%	1%
Steel structure	**27,222**	**1%**	32,379	2%	–16%
Others	**131,160**	**5%**	92,976	5%	41%
Total	**2,502,560**	**100%**	1,859,864	100%	35%

In 2018, the curtain wall section continued to contribute nearly half of the revenue in this business segment. Revenue from the curtain wall increased approximately 14% over last year mainly due to the increasing contract orders and speeding-up of contract completion. Therefore, the operating profit of curtain wall increased to a great extent. Due to the increase of the sale price and contract order, revenue and operating profit from the ready-mixed concrete achieved sharp rise. During the year, the revenue of PC assembly plates achieved a substantial increase because of its green and environmental-friendly characteristics. Simultaneously, PC assembly plates with higher profit ratio than traditional business contributed to this segment's operating profit in part.

In 2018, with the adjustment of the national industrial structure and the advocacy of the concept of green and energy-saving buildings, the prefabricated buildings received more and more attention. The Group followed the policy orientation and actively established construction industrialization bases in various places. Currently, the Group has established construction industrialization bases mainly in Zhejiang, Shanghai, Anhui, Hubei, Jiangsu, Jiangxi. The geographic distribution of production bases not only laid a good foundation for the Group's development of construction industrialisation business in the above-mentioned areas in the future, but also provides a good opportunity for the consolidated development of the Group's large construction business, including construction, property development and industrial building materials business. Construction industrialization plays a significant role in reducing environmental pollution, improving construction efficiency and improving building quality. With the economic and social development, the Group's new building materials business will surely gain broader prospects with the development of construction industrialization.

BUSINESS PROSPECT

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

The proportion of the construction industry in the national economy is second only to industry and agriculture. As a labor-intensive industry, the construction industry plays a pivotal role in China's economic development and has achieved sustainable and rapid development under the increased in investment spending and dividends from demographic distribution. At present, with the global economic slowdown, Sino-US trade friction, real estate regulation and the decrease of demographic dividends, the development of the construction industry faces multiple challenges. However, opportunities always coexist with challenges. The Group's construction business has always persisted in practicing internal strength, and built each project with the spirit of craftsmanship, namely the spirit of "excellence, quality, innovation and customer-oriented service". Through innovative business models, we will strengthen project management and control and strive to achieve high-quality development of the construction business.

In the future, the Group's construction business will continue to rely on the "three-in-one" business development model, and fully promote the four major courses which are "large market, large customers, large projects, large civil engineering". We will focus on developing high-quality markets, customers and projects and concentrate on high-end business areas. While continuously stabilizing and expanding the foundation of the Jiangsu, Zhejiang and Shanghai markets, we will also vigorously expand into emerging markets, and firmly grasp the national strategic opportunities such as the coordinated development of Beijing-Tianjin-Hebei region and the construction of the Guangdong-Hong Kong-Macau Greater Bay Area. In 2018, the enthusiasm of housing enterprises for the land acquisition and new construction did not decrease. The state's investment in infrastructural construction, especially in the areas of track construction, underground utility tunnel construction, and environmental governance have been increased. While strengthening the house building business, the Group's construction business is actively exploring new business areas through cooperation with central enterprises and state-owned enterprises. Regarding large projects as lead managers, we can rely on our competitive advantages in project management practice and control, and enhance competitiveness and attain management efficiency in its stead.

Property development business contributes substantial profit for the Group

At the end of 2018, the Central Economic Working Conference clearly pointed out that "It is necessary to build a long-term mechanism for the healthy development of the real estate market. Government should insist that housing is for living, not for speculation, establish policy and provide guidelines according to local environment, consolidate the main responsibility of local government, and improve the residential housing market and affordable housing market environment." Since the keynote of "housing is for living, not for speculation" was first pronounced by the central government in 2017, the upward trend of the real estate market price has slowed down, and many key cities' housing prices have entered into declining trend after more than a year of regulatory and control enforcement. The market in some cities has experienced a downturn, and the momentum of rapid increase in household financing leverage has been basically contained. The objective of the Ministry of Housing and Urban-Rural Development for the regulation of the property market in 2019 is to "stabilize land prices, stabilize housing prices, and stabilize expectations". We can expect that the era when the real estate industry can make profit by relying on the macroeconomic trend was no longer exist. The real estate industry itself is getting more and more consolidated. How to "live" in such a macro environment, and "live well in this environment is key"?

"Macro adjustment measure is what we must accept, and micro adjustment measure is what we can make a difference." The Group's real estate development business will pay more attention to the "micro market". Through meticulous research and analysis, we can identify those "micro-markets" that are still in rigid demand and demand for high-quality technology housing. By integrating various modern technologies of "energy saving, energy creation and energy storage", and constantly optimizing our residential products, we are able to supply more high-quality technology housing to the market.

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

Labor cost rise was primarily due to the decline in China's demographic dividend. The labor gap hence is widening. The costs of construction materials also rise. The government demand for environmental protection and the transformation of the economic growth model. These are all the external driving forces that booster and promote the rapid development of construction industrialization. Industrialization of buildings is not a simple industrial production of components. It is a systematic engineering, in another word, an urban manufacturing industry. It is characterized by design standardization, component miniaturization and construction mechanization. Construction industrialization can integrate the entire industrial chain of design, production and construction. It is a new type of building method that realizes sustainable development with energy saving, environmental protection and maximum life cycle value of building products.

The Group has been devoted to the research on the industrialization of construction for more than 20 years. The trinity business model of "construction, real estate and construction industrialization" makes Baoye better understand this industry than any other single construction or real estate enterprise, so the upstream and downstream of the industry will be reorganized in a more scientific, energy-saving and economical way, namely the modern production mode of construction industrialization. In the past, we have extensively laid out construction industrialization bases in Zhejiang, Shanghai, Anhui, Hubei, Jiangsu, Jiangxi, etc. In the future, we will continue to improve and optimize the existing product system, and promote the coordinated development of the three business segments of the Group through 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 has established a financial settlement centre, which centralises funding for the Company and all of its subsidiaries at the group level. The Board believes that such policy can achieve better control on the treasury operations, minimise financing risks and lower the average cost of funding.

Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People's Bank of China. Such excellent credit rating will benefit the Group's financing activities and allow the Group to continue to enjoy the prime rate offered by the banks. During the year, the Group maintained major portion of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 14.5% (2017: 21.9%) of the total borrowings. In addition, approximately 76.4% of the total borrowings (2017: 68.3%) were guaranteed by the Company, approximately 2.5% of the total borrowings (2017: 4.1%) were jointly guaranteed by the Company and non-controlling interests and approximately 2.2% of the total borrowings (2017: Nil) were jointly guaranteed by the chairman of the Board, Mr. Pang Baogen and the Company to lending banks. 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.

As the Company operates well and maintains a stable financial position, the Company uses idle funds to purchase short-term financial instruments in order to improve capital use efficiency and better use the idle funds. The Company will create higher returns for the Company and shareholders without affecting the normal operation.

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 2018 the Group has unutilized banking facilities amounting to approximately RMB6.5 billion. Details of which are analysed below:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cash and cash equivalents	**3,698,252**	2,575,717
Term deposits with initial term of over three months	**85,704**	90,199
Restricted bank deposits	**628,485**	658,125
Less: total borrowings	**(2,299,487)**	(1,755,027)
Net cash	**2,112,954**	1,569,014
Total equity attributable to the owners of the Company	**8,336,806**	7,317,919
Net cash ratio	**25.3%**	21.4%

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

Other Key Financial Ratios

	As at 31 December	
	2018	2017
Return on equity	**10.5%**	8.3%
Net assets value per share (RMB)	**14.82**	12.48
Current ratio	**1.18**	1.18

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 increased by approximately 43.6% over the previous year. The return on shareholders' equity has increased by approximately 27% over the previous year. The net assets per share have increased by approximately 19% as compared to last year. As at 31 December 2018, the Group was still in a net cash position with a net cash ratio of 25.3%, which represents an increase of approximately 18% over last year. The main reasons for the increase in cash receipt were increase in contract orders from the construction business and satisfactory presale results from the property development business.

Cash Flow Analysis

		For the year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Cash inflow/(outflow) from operating activities	*(i)*	**1,579,405**	(2,384,176)
Cash (outflow)/inflow from investing activities	*(ii)*	**(1,222,795)**	350,656
Cash inflow from financing activities	*(iii)*	**761,045**	1,728,392
Net increase/(decrease) in cash and cash equivalents		**1,117,655**	(305,128)
Exchange gains/(losses) on cash and cash equivalents		**4,880**	(4,891)

Note:

i During the year, the net cash inflow from operating activities was approximately RMB1,579,405,000, an increase of approximately RMB3,963,581,000 compared to the net cash outflow of approximately RMB2,384,176,000 of last year. The main reasons are the increase in contract orders for the construction business during the year, and the cash receipts from property presale.

ii During the year, the net cash outflow from investing activities was approximately RMB1,222,795,000, which was mainly due to the payment of approximately RMB688,984,000 for investments and loans to joint ventures and associates during the year; and the payment of approximately RMB537,974,000 for property, plant and equipment and land use rights for the construction industrialization bases.

iii During the year, the net cash inflow from financing activities is approximately RMB761,045,000 mainly due to the increase of banking borrowings to meet operating requirements.

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 2018, the Group's land appreciation tax amounted to approximately RMB129,136,000.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB585,760,000 for the year ended 31 December 2018, representing an increase of approximately 27% over last year of RMB461,842,000, primarily due to business expansion and increase in staff welfare expenditures.

Finance Costs

During the year ended 31 December 2018, the Group had registered financing cost of approximately RMB26,767,000 (2017: RMB4,891,000).

Financial Guarantee

	31 December 2018 ***RMB'000***	31 December 2017 *RMB'000*
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	**913,832**	448,636

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

Details of the Charges on the Group's Assets

As at 31 December 2018, land use rights, property, plant and equipment and completed properties held for sale at a total value of approximately RMB600,511,000 (as at 31 December 2017: RMB874,641,000) were pledged to banks as security in securing bank borrowings.

Capital Expenditure Plan

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

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Group had no connected transaction that would require disclosure under the Listing Rules.

Contingent Liabilities

As at 31 December 2018, neither the Company nor the Group had any significant contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries, joint ventures and Associates

As at 31 December 2018, the Group did not have any material acquisitions and disposals of subsidiaries, joint ventures and associates.

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 2017 Annual General Meeting and class meetings, the Company has repurchased a total of 23,546,000 H shares from April 2018 to June 2018, representing 10% and 4.02% 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 HK$132,386,100 (excluding transaction charges). All the shares being repurchased were subsequently cancelled. As at 31 December 2018, the total number of Shares in issue was 562,664,053 (including 350,742,053 domestic shares and 211,922,000 H shares). Details of the H shares were also shown in the next day disclosure returns for the period from April 2018 to June 2018 published on the website of the Stock Exchange. As at the date of this announcement, the Company has a total registered capital of 562,664,053 shares.

Particulars of the share buy-backs are as follows:

Month	Number of shares bought back	Purchase price per share Highest	Lowest	Aggregate Consideration (before expenses)
		(HK$)	*(HK$)*	*(HK$)*
April 2018	2,184,000	5.23	4.90	11,060,960
May 2018	14,650,000	5.75	5.17	82,790,880
June 2018	6,712,000	5.75	5.69	38,534,260
Total	23,546,000			132,386,100

Save as disclosed above, during the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the company's listed securities.

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

HUMAN RESOURCES

As at 31 December 2018, the Group had a total of 5,465 permanent employees (as at 31 December 2017:5,071). Also, there were approximately 72,356 indirectly employed construction site workers (as at 31 December 2017 71,745). These workers were not directly employed by the Group. For the year ended 31 December 2018, the total employee benefit expenses amounted to approximately RMB4,484,605,000. Employee benefit expenses include salaries, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance and unemployment insurance. The Group highly values human resources management, and is devoted to establishing a high quality team to support its long term business development. The Board is continuously working on devising, revising and implementing a more effective employee incentive plan and training plan to encourage superior performance of employees to fit into the Group's long term development plan.

LITIGATION AND ARBITRATION

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

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

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

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") prescribed in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2018, the Company has complied with all the code provisions as set out in the CG Code, except for deviation of provisions as mentioned below:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Board and the Supervisory Committee have adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for securities transactions by the Directors and Supervisors. Specific enquiries have been made by the Company and all the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2018. If any related employees possess information which may be considered as sensitive to the Company's share price and such information is not public, such employee has to comply with the written guidelines, which is as strict as the Model Code.

AUDIT COMMITTEE

The audit committee of the Company consists of two independent non-executive directors, namely Mr. Chan Yin Ming, Dennis (chairman), Mr. Li Wangrong and one non-executive director, Mr. Fung Ching, Simon. The audit committee held two meetings in 2018. Mr. Chan Yin Ming, Dennis, Mr. Li Wangrong and Mr. Fung Ching, Simon attended the meetings. The audit committee has discussed the accounting policies, the critical accounting estimates and assumptions, the audit objectives and the scope of the Group's internal audit department with management. They also discussed with the auditors on their audit plans and key audit areas. The audited consolidated financial statements and the annual results announcement of the Group for the year ended 31 December 2018 had been reviewed by the audit committee before submission to the Board for adoption and approval.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

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 2018 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 2018 Annual Report will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

APPRECIATION

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

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

Zhejiang, the People's Republic of China
25 March 2019

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