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宝 业
BAOYE

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 2019

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 2019 prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2018. The following financial information is extracted from the audited consolidated financial statements as set out in the Group's 2019 Annual Report.

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**24,799,413**	23,230,614
Cost of sales		**(22,762,606)**	(21,258,035)
Gross profit		**2,036,807**	1,972,579
Other income	*5*	**149,890**	116,706
Other gains – net	*6*	**135,016**	32,432
Selling and marketing costs		**(101,131)**	(82,764)
Administrative expenses		**(664,081)**	(585,760)
Net impairment losses on financial and contract assets		**(72,839)**	(59,605)
Operating profit		**1,483,662**	1,393,588
Finance income		**5,505**	–
Finance costs		**(104,697)**	(26,767)
Finance costs – net		**(99,192)**	(26,767)
Share of results of joint ventures		**(4,176)**	17,038
Share of results of associates		**(8,655)**	(8,944)
Profit before income tax		**1,371,639**	1,374,915
Income tax expense	*7*	**(459,632)**	(460,002)
Profit for the year		**912,007**	914,913
Profit attributable to:			
– Owners of the Company		**856,691**	874,175
– Non-controlling interests		**55,316**	40,738
		912,007	914,913
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (expressed in RMB yuan per share)	*8*	**1.52**	1.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**912,007**	914,913
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**(3,453)**	400
Other comprehensive income for the year, net of tax	**(3,453)**	400
Total comprehensive income for the year	**908,554**	915,313
Total comprehensive income attributable to:		
– Owners of the Company	**853,238**	874,575
– Non-controlling interests	**55,316**	40,738
Total comprehensive income for the year	**908,554**	915,313

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**–**	616,765
Property, plant and equipment		**2,628,086**	2,077,820
Right-of-use assets		**675,895**	–
Investment properties		**766,435**	742,768
Goodwill		**16,534**	16,534
Investments in joint ventures	*10(a)*	**457,465**	244,322
Loans to joint ventures	*10(b)*	**593,705**	325,914
Investments in associates	*11(a)*	**44,724**	323,693
Loans to associates	*11(b)*	**232,410**	622,549
Financial assets at fair value through other comprehensive income		**228,197**	232,801
Financial assets at fair value through profit or loss		**8,486**	8,727
Deferred income tax assets		**273,097**	237,224
		5,925,034	5,449,117
Current assets			
Inventories		**193,689**	243,392
Properties under development		**5,075,556**	3,685,492
Completed properties held for sale		**3,265,564**	3,429,544
Contract assets and contract acquisition costs		**3,814,297**	3,681,687
Trade receivables	*12*	**4,913,974**	3,943,479
Other receivables and prepayments		**4,244,874**	4,126,542
Loans to joint ventures	*10(b)*	**290,054**	61,385
Loans to associates	*11(b)*	**9,324**	11,102
Financial assets at fair value through profit or loss		**558,000**	517,820
Restricted bank deposits		**719,015**	628,485
Term deposits with initial term of over three months		**303,390**	85,704
Cash and cash equivalents		**5,504,968**	3,698,252
		28,892,705	24,112,884
Total assets		**34,817,739**	29,562,001

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**562,664**	562,664
Share premium		**481,433**	481,433
Reserves		**209,296**	205,263
Retained earnings		**7,936,651**	7,087,446
		9,190,044	8,336,806
Non-controlling interests		**393,861**	230,734
Total equity		**9,583,905**	8,567,540
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		**1,961,000**	434,057
Lease liabilities		**1,947**	–
Deferred income tax liabilities		**179,934**	143,400
		2,142,881	577,457
Current liabilities			
Contract liabilities		**6,940,932**	6,522,661
Trade payables	*13*	**7,463,614**	6,934,169
Other payables		**5,318,181**	4,628,528
Lease liabilities		**7,803**	–
Bank and other borrowings		**2,838,689**	1,865,430
Current income tax liabilities		**521,734**	466,216
		23,090,953	20,417,004
Total liabilities		**25,233,834**	20,994,461
Total equity and liabilities		**34,817,739**	29,562,001

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 address of the Company's registered office is Yangxunqiao Township, 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 have been approved for issue by the Board of Directors on 31 March 2020.

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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 New and amended standards adopted by the Group

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

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The adoption of these existing standards that are effective for the financial year beginning 1 January 2019 do not have a material impact on or are not relevant to the Group, except for HKFRS 16 "Leases" ("HKFRS 16").

3.2 New, revised and amended standards and interpretations not yet adopted

Certain new and revised standards, amendments and interpretations to existing standards have been published that are not effective in current year and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Revised Conceptual Framework for Financial Reporting		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 and revised standards, amendments and interpretations to existing standards are effective for annual periods beginning after 1 January 2020 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.

3.3 Changes in accounting policies

The Group has adopted HKFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.27%.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease".

(b) ***Measurement of lease liabilities***

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**25,305**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**19,932**
Less: short-term leases recognised on a straight-line basis as expense	**(2,993)**
Lease liabilities recognised as at 1 January 2019	**16,939**
Of which are:	
Current lease liabilities	**7,140**
Non-current lease liabilities	**9,799**
Total lease liabilities	**16,939**
Lease liabilities recognised as at 31 December 2019	**9,750**
Of which are:	
Current lease liabilities	**7,803**
Non-current lease liabilities	**1,947**
	9,750

(c) ***Measurement of right-of-use assets***

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following type of assets:

	31 December 2019	1 January 2019
	RMB'000	*RMB'000*
Properties	**10,074**	16,939
Land use rights	**665,821**	616,765
Total right-of-use assets	**675,895**	633,704

As at 31 December 2019, total carrying value of right-of-use assets of which are land use rights pledged as collateral for the Group's bank borrowings amounted to RMB99,829,000 (2018: land use rights:RMB19,627,000).

The following table presents the changes of right-of-use assets for the year ended 31 December 2019:

	RMB'000
Balance at 31 December 2018	**–**
Adjustment on adoption of HKFRS 16	**633,704**
Opening net book amount, as restated	**633,704**
Additions	**90,698**
Disposal of subsidiaries	**(15,812)**
Other disposals	**(7,532)**
Depreciation	**(25,163)**
Closing net book amount	**675,895**

(d) Amounts recognised in the consolidated income statement

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

	2019 *RMB'000*
Depreciation charge of right-of-use assets	
– Properties	**(7,095)**
– Land use rights	**(18,068)**
	(25,163)
Interest expense (included in finance cost)	**(688)**
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**–**

The total cash outflow for leases in 2019 was RMB8,107,000.

(e) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	RMB'000
Increase in right-of-use assets	**633,704**
Decrease in land use rights	**(616,765)**
Increase in lease liabilities	**(16,939)**

There was no impact on the retained earnings on 1 January 2019.

(f) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

4. SEGMENT OF INFORMATION

The segment information is as follows:

	Year ended 31 December 2019				
	Construction *RMB'000*	**Property development** *RMB'000*	**Building materials** *RMB'000*	**Others** *RMB'000*	**Group** *RMB'000*
Revenue from contracts with customers	**20,717,039**	**2,089,186**	**3,751,618**	**663,360**	**27,221,203**
Recognised at a point in time	**–**	**1,816,637**	**2,393,859**	**637,534**	**4,848,030**
Recognised over time	**20,717,039**	**272,549**	**1,357,759**	**25,826**	**22,373,173**
Revenue from other sources					
Rental income	**–**	**–**	**–**	**79,914**	**79,914**
Total segment revenue	**20,717,039**	**2,089,186**	**3,751,618**	**743,274**	**27,301,117**
Less: inter-segment revenue	**(1,687,199)**	**–**	**(548,528)**	**(265,977)**	**(2,501,704)**
Revenue (from external customers)	**19,029,840**	**2,089,186**	**3,203,090**	**477,297**	**24,799,413**
Operating profit	**467,100**	**757,445**	**156,238**	**102,879**	**1,483,662**
Depreciation	**49,642**	**9,791**	**89,356**	**40,268**	**189,057**
Net impairment losses on financial and contract assets	**42,778**	**(3,001)**	**31,638**	**1,424**	**72,839**

	Year ended 31 December 2018				
	Construction *RMB'000*	Property development *RMB'000*	Building materials *RMB'000*	Others *RMB'000*	Group *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

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Interest income on		
–Financial assets held as investments	**115,038**	91,190
–Advances to project managers	**34,852**	25,516
	149,890	116,706

6. OTHER GAINS – NET

	2019	2018
	RMB'000	*RMB'000*
Gains on disposal of an associate *(Note 11)*	**48,470**	–
Gains on disposal of financial assets at FVPL	**22,613**	18,933
Government grants and compensation	**25,838**	11,618
Fair value (losses)/gains of investment properties	**(2,688)**	2,998
Fair value losses of financial assets at FVPL	**(241)**	(633)
Gains/(losses) on disposal of property, plant and equipment	**6,635**	(870)
Gains on disposal of subsidiaries	**5,667**	–
Donations	**(5,492)**	(4,397)
Net foreign exchange gains	**4,721**	5,099
Others	**29,493**	(316)
	135,016	32,432

7. INCOME TAX EXPENSE

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

	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– PRC CIT	**318,525**	287,045
– Land appreciation tax	**139,295**	189,210
Deferred income tax		
– PRC CIT	**13,834**	43,821
– Land appreciation tax	**(12,022)**	(60,074)
	459,632	460,002

(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 (2018: 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% (2018: 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 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.

	2019	2018
Profit attributable to the owners of the Company (RMB'000)	**856,691**	874,175
Weighted average number of ordinary shares in issue during the year (thousands shares)	**562,664**	571,940
Basic earnings per share (RMB yuan)	**1.52**	1.53

The Company had no dilutive potential shares in issue, thus the diluted earnings per share was the same as 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 2019 (2018: Nil).

10. INVESTMENTS IN AND LOANS TO JOINT VENTURES

(a) Investments in joint ventures

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**244,322**	126,783
Transfer from investments in subsidiaries	**17,000**	–
Other additions	**200,603**	116,829
Share of results (i)	**(4,460)**	710
At 31 December	**457,465**	244,322
Represented by share of net assets	**457,465**	244,322

As at 31 December 2019, there were no contingent liabilities relating to the Group's interest in the joint ventures.

(i) Share of results of joint ventures in consolidated income statement represented:

	2019	2018
	RMB'000	*RMB'000*
Share of operating results	**(4,460)**	710
Recovery of impaired loans	**284**	928
Reversal of obligations incurred to share accumulated losses	**–**	15,400
	(4,176)	17,038

(b) Loans to joint ventures

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**393,822**	374,453
Additions	**693,589**	18,509
Interest accrued	**15,563**	2,235
Repayments	**(210,282)**	(2,303)
Recovery of impaired loans	**284**	928
	892,976	393,822
Less: provision for loss allowance	**(9,217)**	(6,523)
At 31 December	**883,759**	387,299
Less: current portion	**(290,054)**	(61,385)
Non-current portion	**593,705**	325,914

RMB53,477,000 (2018: RMB54,492,000) of loans to joint ventures are interest-bearing at market lending rates range from 4% to 5.28% (2018: 4%) with maturity date of 31 December 2020, and the remaining amounts of the loans are interest-free, unsecured and repayable on demand.

11. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES

(a) Investments in associates

	2019 *RMB'000*	2018 *RMB'000*
At 1 January	**323,693**	15,547
Additions	**–**	317,090
Disposals (i)	**(270,314)**	–
Share of results	**(8,655)**	(8,944)
At 31 December	**44,724**	323,693
Represented by share of net assets	**44,724**	323,693

(i) During the year, the Group entered into an agreement with Daiwa House Industry Co., Ltd to dispose of its 33% equity interest in Hebao (Nantong) Real Estate Development Co., Ltd ("Hebao") for a cash consideration of RMB307,329,000, which resulted in gains totalling RMB48,470,000 (Note 6).

As at 31 December 2019, there were no contingent liabilities relating to the Group's interest in the associates.

(b) Loans to associates

	2019 *RMB'000*	2018 *RMB'000*
At 1 January	**639,995**	230,939
Additions	**4,000**	395,750
Repayments (ii)	**(402,868)**	–
Interest accrued	**3,049**	13,306
	244,176	639,995
Less: provision for loss allowance	**(2,442)**	(6,344)
At 31 December	**241,734**	633,651
Less: current portion	**(9,324)**	(11,102)
Non-current portion	**232,410**	622,549

(ii) Repayments during the year mainly represented the repayment of the loan by Hebao, following the disposal of the Group's equity interest in Hebao.

Loans to associates are unsecured and repayable on demand, none of which (2018: RMB305,574,000) are interest-bearing at market lending rates and the remaining amounts are interest-free.

12. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**5,185,563**	4,151,346
Less: provision for loss allowance	**(271,589)**	(207,867)
	4,913,974	3,943,479

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:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**1,897,554**	2,190,293
3 months to 1 year	**1,852,451**	903,253
1 to 2 years	**793,735**	478,874
2 to 3 years	**443,070**	394,229
Over 3 years	**198,753**	184,697
	5,185,563	4,151,346

13. TRADE PAYABLES

As at 31 December 2019, the ageing analysis of the trade payables based on invoice date was as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**3,737,176**	2,448,729
3 months to 1 year	**2,554,511**	2,291,515
1 to 2 years	**743,431**	1,470,413
2 to 3 years	**309,436**	333,999
Over 3 years	**119,060**	389,513
	7,463,614	6,934,169

14. SUBSEQUENT EVENTS

After the outbreak of the Coronavirus Disease ("**COVID-19**") in early 2020, a serious of precautionary and control measures have been and continued to be implemented across the country/region. As at the date of this announcement, the Group does not anticipate any significant financial impact resulting from the COVID-19, following which the Group will pay close attention to the situation of the COVID-19 and continue to assess the impact of the epidemic disease on the Group's finances and operations from time to time, as the case may be.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 16 June 2020 (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 in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 May 2020 to 16 June 2020, both dates inclusive, during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre,183 Queen's Road East, Hong Kong (for holders of H Shares), or to the Company's office address at No.1687 Guazhu East Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Domestic Shares) no later than 4:30 pm on 16 May 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the year ended 31 December 2019, the Group achieved a consolidated revenue of approximately RMB24,799,413,000 (2018: RMB23,230,614,000), representing an increase of approximately 6.8% compared to the previous year; operating profit reached approximately RMB1,483,662,000, (2018: RMB1,393,588,000), representing an increase of approximately 6.5% compared to last year; profit attributable to the owners of the Company amounted to approximately RMB856,691,000 (2018: RMB874,175,000), representing a decrease of approximately 2% from last year, earnings per share was RMB1.52 (2018: RMB1.53), leveling the relative level in the preceding year.

In 2019, under the complex macroeconomic environment, buoyed by the Group's synergy in three business segments, the Group still achieved stable operating results. Due to the fierce competition in the industry and increasing uncertainties in the external environment, the Group relies on the "three-in-one" business model of construction, real estate development, and construction industrialization, all of which have achieved good development progress. In 2019, under the premises of securing the Group's capital chain, the Group take advantage of healthy cash flow to increase land reserve of over RMB5 billion. At the same time, in the construction sector, the Group also tried to expand the proportion of self-operated business. In the construction industrialization sector, the Group also continued to expand the distribution of construction industrialization bases in order to strengthen the Group's position in the construction industrialization industry. In view of the foregoing, the Board of Directors does not recommend the payment of the final dividend for 2019.

Revenue

	For the year ended 31 December				
	2019		2018		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**19,029,840**	**77%**	17,342,995	75%	10%
Property Development	**2,089,186**	**8%**	3,084,867	13%	–32%
Building Materials	**3,203,090**	**13%**	2,502,560	11%	28%
Others	**477,297**	**2%**	300,192	1%	59%
Total	**24,799,413**	**100%**	23,230,614	100%	7%

Operating profit

	For the year ended 31 December				
	2019		2018		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Construction	**467,100**	**31%**	505,819	36%	–8%
Property Development	**757,445**	**51%**	760,720	55%	0%
Building Materials	**156,238**	**11%**	67,249	5%	132%
Others	**102,879**	**7%**	59,800	4%	72%
Total	**1,483,662**	**100%**	1,393,588	100%	6%

Construction Business

For the year ended 31 December 2019, the Group's construction business achieved revenue of approximately RMB19,029,840,000, up approximately 10% over last year; operating profit amounted to approximately RMB467,100,000, down approximately 8% over last year. The increase of revenue and decrease of operating profit of the construction business was mainly due to the increased construction capacity of construction projects and lower profit margin in 2019.

In 2019, the external economic environment was complicated and difficult brought by the Sino-US trade disputes while the domestic economy experienced a down turn. In order to stabilize economic growth, the domestic monetary policy has been loosen, and fixed asset investment has also maintained certain momentum. However, under the policy background of "housing is for living, not for speculation", it is unrealistic to expect the real estate market returning to the high growth rates in the past. There was also great uncertainty in the investment in manufacturing facilities affected by the external environment. As the pillar industry of the national economy, its development is closely related to economic development for the country as a whole. According to the 2020 National Economic Statistics Report released by the National Bureau of Statistics in January 2019, the total output value of the national construction industry in 2019 still reached RMB24,844.6 billion, a year-on-year increase of 5.7%, which was slightly lower than the GDP growth rate of 6.1%. In 2019, the Group's construction continued to implement the "big customer" strategy, optimized regional layout, enhanced public construction project market sharing, and established the corporate brand image by undertaking local public and iconic projects. In 2019, the construction business continued to contribute most of the Group's operating income and steady profits. The contract value of new projects was approximately RMB28.8 billion (2018: approximately RMB23.6 billion), an increase of approximately 22% from last year. The Group undertook a number of high-quality vanity projects, such as the Shaoxing Public Security Bureau's business and technology rooms, Shaoxing People's Hospital Jinghu Headquarters, Reconstruction and Expansion Project of Shaoxing Restaurant, Hangzhou Qiantang River Museum, Hangzhou Bay Area Accounting Academy and so on.

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 2019, the Group received a total of 49 awards, the key awards are appended as follows:

Projects Name	**Awards**
Djibouti Presidential Palace	Luban Price
Djibouti Tajura New Port Project	Luban Price
Kaifeng Haihui Center	Luban Price
Kaifeng Haihui Center Curtain Wall Project	Luban Price
Kaifeng Haihui Center Interior Project	Luban Price
HVAC installation project of Cixi Grand Theater	Luban Price
Expansion Project of Alibaba Hangzhou Software Production Base Phase II	National Quality Project
Hefei Binhu Center Building No.2	Huangshan Cup
China Textile CBD Commercial Center Project	China Textile Town Cup
Dapu River Tributaries Connection Project Phase II	West Lake Cup
No.701 Research Institute of China Shipbuilding Industry Corporation (No. 7 Scientific Research Building)	Huanghe Award
New Housing Project of Military Economics Institute	Huanghe Award
Guanggu Lidu Phase III Building No.18	Huanghe Award
Wuhan Baoye Center	Huanghe Award
Yichang International Trade Edifice Phase III	Chutian Cup
Jiangxi Hangxin Edifice	Jiangxi Quality Structure Project

Adhering to the spirit of craftsman, Winning awards

At the Commendation Conference of 2018-2019 China Construction Engineering Luban Prize (National Prime-quality Project) held on December 10, 2019, six projects of the Group won the Luban Award. We contracted for three of the six projects, namely Kaifeng Haihui Centre project, Djibouti Tajura Port Project and Djibouti's new presidential palace project, and participated the construction of the other three projects, namely curtain wall and interior engineering project of Kaifeng Haihui Centre and HVAC installation of Ningbo Cixi Grand Theatre. Winning 6 Luban awards in one time sets record breaking in Baoye's history. As of 2019, the Group has won a total of 38 Luban Awards (19 as contractor and 19 as participant).

The Luban Award is the highest award in China's construction industry, also the highest honor for Baoye's adherence to the "craftsman spirit" and high-quality construction. As a veteran who has been working hard in the construction industry for more than 40 years, we will always apply rigorous construction standards and scientific quality control in each of our construction projects.

Property Development Business

Property Sales

For the year ended 31 December 2019, revenue of the Group's property development business amounted to approximately RMB2,089,186,000, representing a decrease of approximately 32% from last year. Operating profit amounted to approximately RMB757,445,000 which is approximating the same level of last year. The decline in real estate development business turnover while maintaining the same level of operating profit was mainly due to the decrease in the recognized revenue in 2019, but the higher profit margins of the units recognised.

For the year ended 31 December 2019, revenue of property sales was mainly derived from the following projects, details of which are set out below:

Project	**Location**	**Average Selling Price** *(RMB yuan/ Sqm)*	**Floor Areas Sold** *(Sqms)*	**Revenue** *(RMB'000)*
Baoye Ido	Shanghai	39,003	11,906	464,369
Baoye Xuefu Green Garden	Bengbu	6,348	67,571	428,914
Baoye Xinqiao Fengqing	Shaoxing	14,111	27,256	384,596
Baoye Four Seasons Garden	Shaoxing	35,628	10,433	371,709
Baoye Junyue Green Garden	Luan	4,742	29,326	139,072

For the year ended 31 December 2019, the sales contracts of the Group's property development business amounted to approximately RMB2.56 billion (2018: RMB2.78 billion) and a contract sale area of approximately 237,041 square metres, excluding the property sales registered under joint ventures that will be progressively completed, delivered and recognised as revenue in the next two years.

Projects under development

As at 31 December 2019 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%
Daban Green Garden	Shaoxing	145,700	100%
Xialv Project·Yunxili	Shaoxing	Under Planning	60%
Guanyun Road Project	Shanghai	94,722	100%
Huajie Fengqing	Lishui	260,363	100%
Xingyu Fu	Wuhan	259,056	100%
Binhu Lvyuan	Mengcheng	201,572	100%
Fuxing Jiayuan	Jieshou	467,293	100%
Baoye City Luyuan	Taihe	95,770	55%
Baoye Longhu Yucheng	Kaifeng	300,598	60%
Baoye Junyue Green Garden	Lu'an	129,665	100%
Zhengzhou Project • Fuxi Town	Zhengzhou	Under Planning	51%
Sizhou Green Garden	Sixian	124,907	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, all fully equipped with supporting facilities, such as a golf club, a five-star resort hotel, two leisure parks, a sport park, a shopping arcade, kindergarten and a central lakeside garden. Phase I still a few spare houses for sale. Phase II of approximately 300,000 square meters is currently under planning. The presale of the first part of terrace house has begun and is in good condition.

Daban Green Garden, located in Keqiao District, Shaoxing City, Zhejiang Province, has a site area of 80,945 square meters and a plot ratio of 1.8, and a gross floor areas of 145,700 square meters on the floor and approximately 100,000 square meters under the floor. The project will be built in a prefabricated method and fully and well decorated. The project is very close to the Banhu Lake and the railway station of Hangzhou and Shaoxing. It enjoys well-developed facilities of convenient transportation, scenic environment, hospitals, schools and shopping malls. The project will be a landmark of residential building in the Banhu area of Keqiao.

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 of now, Baoye Yunxili, one of the three parcels of land has begun planning.

Guanyun Road Project, located at the south of Guanyun Road, Qingpu District, Shanghai City, is very close to the Dianshanhu Road Station of Line 17. The project has a site area of approximately 38,649 square meters, and a gross floor area of approximately 94,722 square meters with a plot ratio of 1.5. The Group acquired this parcel of use rights at a total consideration of RMB913,630,000 in September 2019. This project has residential and commercial parts, and is positioned as a construction art respecting to architecture and facing the future. The project will be built as a landmark with green, healthy, intelligent, civilized and artificial and artistic characteristics.

Baoye Huajie Fengqing is located in Liandu District, Lishui City, Zhejiang Province. It covers an 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 58,790 square meters are owned by Baoye and presale has begun in October 2019.

Xingyufu project, located in Xinzhou District, Wuhan City, Hubei Province, has a total land area of 129,528 square meters and planned construction area of approximately 259,056 square metres. The Group acquired this parcel of land use right in December 2017 at a consideration of RMB780 million. At the end of 2019, presale has begun.

Mengcheng Binghu Green Garden, located in Mengcheng County, Anhui Province has a total land 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 RMB366,000,000. The project has started presale in the second half of 2019.

Baoye Fuxing Jiayuan, located in Jieshou City, Fuyang City, Anhui Province, has a total site area of 172,656 square meters and a total 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 RMB370,348,000. The project has started the construction and is expected to be delivered in 2020. The project will be repurchased by the local government upon completion.

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, among which Phase I, II and III had already been delivered to customers, and 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 will be developed in 5 phases. Nearly 100,000 square meters of Phase I was delivered to the owners, and the remaining 70,000 square meters are under construction and will be delivered by the end of 2020. Phase II of about 140,000 square meters is under presale. Phase III is currently under construction

Baoye Junyue Green Garden is located in Lu'an city, Anhui Province. Baoye bided the project through judicial auction in September 2017. The project has a site area of approximately 54,220 square meters, and an estimated gross floor area of approximately 129,665 square meters, and the remaining site area of 7,220 square meters is clean land for development. The project enjoys well-developed facilities, convenient transportation with parks, banks and shopping malls. The project will be developed in two phases. In February 2019, the Company obtained a parcel of land use right on the west side of this project with a total land area of approximately 111,947 square meters, which is currently under presale.

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, Xinmi City, Zhengzhou City, with convenient transportation, spectacular scenery and historical culture. The project is under planning currently.

Sizhou Green Garden, located in the economy development zone of Sixian County, Suzhou City, Anhui Province, has a total site area of 46,888 square meters, and a total gross floor areas of 124,907 square meters. The Group acquired this parcel of land use right at a total consideration of RMB113,500,000 in May 2019 through public tendering in which the Group is interested 51%. This project enjoys well-developed facilities, convenient transportation and education resources. The project has begun presale at the beginning of 2020 and is expected to be delivered in 2021.

New Land Reserve

During the year in 2019, the newly acquired land reserve is tabulated below:

Time table	**Location**	**Cost** *(RMB'000)*	**Land area** *(Sqms)*	**Equity**
February, 2019	Lu'an, Anhui	221,000	111,947	100%
May, 2019	Sixian, Anhui	73,900	30,521	51%
May, 2019	Sixian, Anhui	39,600	16,367	51%
July, 2019	Shaoxing, Zhejiang	115,278	33,369	60%
July, 2019	Shaoxing, Zhejiang	1,885,000	80,944.8	100%
September, 2019	Shanghai	913,630	38,648.6	100%
November, 2019	Wuhan, Hubei	245,000	27,992	100%
December, 2019	Fuyang, Anhui	235,425	63,545	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.

Increased Investment in Property Development

During the year in 2019, the newly increased investment in property development is tabulated below:

Location	**Cost** *(RMB'000)*	**Land area** *(Sqms)*	**Equity**
Xinzhou, Hubei	276,000	73,880	49%
Wuhan, Hubei	760,800	64,991	70%
Quzhou, Zhejiang	799,780	84,633	34%

Building Materials Business

For the year ended 31 December 2019, revenue of the Group's building materials business amounted to approximately RMB3,203,090,000, representing an increase of approximately 28% over last year; operating profit was approximately RMB156,238,000, representing a surge of approximately 132% from last year. In 2019, the revenue and operation profit have achieved an obvious increase as the selling prices of building materials segments increased obviously.

For the year ended 31 December 2019, revenue from the Group's building materials is analysed below:

	For the year ended 31 December				
	2019		2018		**Change**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Curtain Wall	**1,153,159**	**36%**	1,173,115	47%	–2%
Ready-mixed Concrete	**1,162,318**	**36%**	717,815	29%	62%
Furnishings and Interior Decorations	**212,381**	**7%**	205,096	8%	4%
Wooden Products and Fireproof Materials	**104,874**	**3%**	90,083	4%	16%
PC assembly plate	**362,840**	**11%**	158,069	6%	130%
Steel structure	**34,325**	**1%**	27,222	1%	26%
Others	**173,193**	**6%**	131,160	5%	32%
Total	**3,203,090**	**100%**	2,502,560	100%	28%

All major segments of the Group's building materials business are under fierce competition, and are highly inter-related to the real estate industry and national infrastructure construction. In 2019, the Group's building materials business adhered to the "price-cost-profit" business principle, strengthened accounts receivable management, and implemented the "big customers" strategy by coordinating team work with the construction business. In accordance with the Group's development strategy, Construction industrialization business advanced in an orderly manner. As at now, the Group's construction industrialization bases have been deployed in Zhejiang, Shanghai, Hubei, Anhui, Jiangsu and so on. The extensive layout of the construction industrialization bases are not only the fruit of the successful market expansion of the construction business in the past, but also a good foundation for the coordinated development of construction business and real estate business in the future. Prefabricated construction, as the leading industry of the urban manufacturing industry after automobiles and home appliances, is an important carrier for the transformation and upgrading of the real estate industry and the construction industry. The Group has accumulated rich experience through more than 20 years of continuous research and development in the construction industrialization industry. We believe that as the market matures, the construction industrialization business will bring sustainable fruitful business results and profits to the Group.

BUSINESS PROSPECT

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

At present, China's economic development is in the transition phase from investment-driven to consumption-driven, but this transition phase takes time, so the function of investment in stimulating the economy is still very obvious. In accordance with the guidance of the State Council, the special debt issued in 2020 will be used in more than 10 infrastructure areas such as transportation, municipal administration, and environmental protection. The increase in infrastructural investment can effectively stimulate the development of the construction industry. In addition, the process of urbanization in China has entered into its mid-tier phase. Urban agglomerations will become the main carriers of China's urbanization and urban population growth will merge in between metropolitan cities and sub-urban counties. Anywhere population accumulates, investment will pour in, where the market will be. As the pillar industry of the national economy, the construction industry is closely linked to infrastructural construction and real estate investment. In the future, the state will "make up for shortcomings" in people's livelihood projects, so the construction of public service projects and the construction of living environment will provide a huge market for building construction business. In the new development period, Baoye will continue to consolidate its management, strengthen process control, deepen service awareness, pay close attention to project quality and safety and forge advanced productive force in order to enhance our core competitiveness. Leveraging the demands from customers, projects and the industry as the starting point, Baoye shall keep providing its unique products and services to the market.

Property development business contributes substantial profit for the Group

In the past year, the central government repeatedly emphasized the "no speculation" positioning of the real estate industry. Then, at the end of last year, the Central Economic Working Conference sets out the general direction of the "stability in six aspects". Under such background, we expect that the general direction of the state's regulation of the real estate market will remain unchanged. It will continue to maintaining the stability of the real estate market according to different situations in different cities. Although the golden demand stage for housing was peaked under the prevailing severe economic conditions but the demand is partially compensated by the continuous urbanization and mobility of population policies, such as the impact of the second-child policy, urban population growth increasing demand for urban renewal and transformation, and demand for improvement in living environment. The demand for residential real estate remains strong which has paved a huge potential room for growth.

As one of the core businesses of the Group, Baoye's real estate development business has adhered to the ingenious concept of "Baoye builds good houses" at all time. In the future, we will continue to cultivate in the markets where we are familiar and increase land reserves at reasonable prices. We firmly uphold the concept that "If housing changes, society changes". Relying on the latest research results of the National Research Institute of Housing Technology and incorporating advanced Japanese and German technology elements into our products, we are able to supply the market with highly comfortable and low-carbon technology housing which can save, store and create energy.

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

In recent years, the energy-saving and environmental-friendly prefabricated construction industry has become a hit because of the aging of the population, the gradual decline of the demographic dividend, environmental pollution and resources problems. The central and local governments have intensively introduced incentive policies to promote the development of construction industrialization and the prefabricated construction. There are also many companies rushing head-to-head into this field. It seems that all construction companies or building material manufacturers can be transformed into construction industrialization companies overnight. However, any single link, like industrialized manufacturing of building components or equipments for industrialized components, cannot be called construction industrialization. As we always emphasize, the industrialization of construction is a system engineering and an urban manufacturing industry. It must be characterized by design standardization, components classification, and construction mechanization. It is a new sustainable production mode that fully integrates the entire industrial chain, including design, production, construction, and operation, to fully realize the energy-saving and environmental-friendly features of the building which maximizes the value of the building's entire life cycle.

Baoye not only has more than 20 years of experience in research and development on construction industrialization, but also intensively cultivates in the field of general construction which includes building construction and real estate development for more than 40 years. We can proudly say that we master better about architecture. We are better in understanding operations and the inherent need of improving quality.

Through field assembly and industrialized production, we have completed the transformation and upgrade of the traditional construction industry during the past two decades. We have truly transform construction into manufacturing, and make the life span of our construction products last beyond 100 years. In the future, Baoye will continue to explore ways to improve the traditional construction industry, while we increase the technological content of products through the industrialized construction method, and promote the coordinated development of the three major industries of the Group.

The Impact of the Outbreak of Novel Coronavirus

In 2020, the rapid outbreak of COVID-19 imposes a major test to the global economy. The Chinese government has introduced and implemented a series of effective control measures. Thanks to the hard work of the people throughout the country, especially medical professionals, the epidemic disease in China is now under well control, but the situation remains severe elsewhere in the world. The Group has comprehensively assessed the impact of the epidemic disease on the Group's three business segments and the construction business, real estate sales and production resumption of our regional companies. We believe that the epidemic disease will have a short-term negative impact on our business. But so far, except for Hubei, projects in other regions have been resumed one after another in an effort to make up for the lost time. The Group is full of confidence and convinced that as long as we work together, we will vanquish the disease. As at the date of this announcement, the Group does not anticipate any significant financial impact resulting from the COVID-19, following which the Group will pay close attention to the situation of the COVID-19 and continue to assess the impact of the epidemic disease on the Group's finances and operations from time to time, as the case may be. At the same time, the Group will ensure the steady development as always by improving internal management, valuing "preserving cash as king and focusing on receivable management", and continuously optimizing business management model, while enhancing our brand image to ensure continuous stable development.

FINANCIAL REVIEW

Financial Policies

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

The Group has established a financial settlement centre, which centralises funding for the Company and all of its subsidiaries at the group level. The Board believes that such policy can achieve better control on the treasury operations, minimise financing risks and lower the average cost of funding.

Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People's Bank of China. Such excellent credit rating will benefit the Group's financing activities and allow the Group to continue to enjoy the prime rate offered by the banks. During the year, the Group maintained part of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 51.7% of the total borrowings (2018: 14.5%). In addition, approximately 45.7% of the total borrowings (2018: 76.4%) were guaranteed by the Company; approximately 1.3% of the total borrowings (2018: 2.5%) were jointly guaranteed by the Company and non-controlling interests; approximately 1.0% of the total borrowings (2018: 2.2%) 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.

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 2019 the Group has unutilized banking facilities amounting to approximately RMB6.6 billion. Details of which are analysed below:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cash and cash equivalents	**5,504,968**	3,698,252
Term deposits with initial term of over three months	**303,390**	85,704
Restricted bank deposits	**719,015**	628,485
Less: total borrowings	**(4,799,689)**	(2,299,487)
Net cash	**1,727,684**	2,112,954
Total equity attributable to the owners of the Company	**9,190,044**	8,336,806
Net cash ratio	**18.8%**	25.3%

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

Other Key Financial Ratios

	As at 31 December	
	2019	2018
Return on equity	**9.3%**	10.5%
Net assets value per share (RMB yuan)	**16.33**	14.82
Current ratio	**1.25**	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 decreased by approximately 2% over the previous year. The return on shareholders' equity has decreased by approximately 11% over the previous year. But the net assets value per share have increased by approximately 10% as compared to last year. As at 31 December 2019, the Group was still in a net cash position with a net cash ratio of 18.8%.

Cash Flow Analysis

		For the year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Cash inflow from operating activities	*(i)*	**71,398**	1,579,405
Cash outflow from investing activities	*(ii)*	**(859,266)**	(1,222,795)
Cash inflow from financing activities	*(iii)*	**2,594,584**	761,045
Net increase in cash and cash equivalents		**1,806,716**	1,117,655
Exchange gains on cash and cash equivalents		**–**	4,880

Note:

i During the year, the net cash inflow from operating activities was approximately RMB71,398,000, an decrease of approximately RMB1,508,007,000 compared to the net cash inflow of approximately RMB1,579,405,000 of last year. The main reason is the increase in land reserve during the year.

ii During the year, the net cash outflow from investing activities was approximately RMB859,266,000, which was mainly due to the payment of RMB872,564,000 for construction, land and equipment for the construction industrialization base.

iii During the year, the net cash inflow from financing activities is approximately RMB2,594,584,000 mainly due to the increase of banking borrowings in meeting cash flow requirement for operational purposes.

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 2019, the Group's land appreciation tax amounted to approximately RMB127,273,000.

Other Gains – Net

During the year of 2019, the Group recorded other gains – net of approximately RMB135,016,000, representing a significant increase of approximately RMB102,584,000, mainly due to the gains of RMB48,470,000 and RMB5,667,000 from disposals of Hebao and Zhejiang Baohong Construction Industrialisation Manufacturing Company Limited respectively.

Administrative Expenses

The Group's administrative expenses amounted to approximately RMB664,081,000 for the year ended 31 December 2019, representing an increase of approximately 13% over last year of RMB585,760,000, primarily due to the business expansion and increase of staff welfare expenditures.

Finance Costs

During the year ended 31 December 2019, the Group recorded finance costs of approximately RMB99,192,000 (2018: RMB26,767,000). The increase in finance costs was mainly due to the increase in the Group's borrowings.

Income Tax Expense

During the year ended 31 December 2019, income tax expense comprised of PRC corporate income tax of RMB332,359,000 (2018: RMB330,866,000) and PRC land appreciation tax of RMB127,273,000 (2018: RMB129,136,000), representing a total decrease of approximately RMB370,000, which was mainly due to the decrease in profit before tax.

Financial Guarantee

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers	**410,222**	913,832

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

Details of the Charges on the Group's Assets

As at 31 December 2019, properties under development, properties held for sale, property, plant and equipment, right-of-use assets of which are land use rights and land use right at a total value of approximately RMB3,752,327,000 (as at 31 December 2018: RMB600,511,000) were pledged to banks as security in securing bank and other borrowings.

Capital Expenditure Plan

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

Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

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

CONNECTED TRANSACTIONS

During the year of 2019, the Group had no connected transaction that would require disclosure under the Listing Rules.

CONTINGENT LIABILITIES

As at 31 December 2019, neither the Company nor the Group had any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

On 29 March 2019, the Group entered into the agreement with the independent party regarding the disposal of the Company's 33% interest in Hebao (Nantong) Property Company Limited. The disposal will enable the Company to reallocate resources to the property markets which our management team is more experienced in and familiar with. For details of the disposal, please refer to the announcement of the Company dated 29 March 2019.

Saved as the above disposal, the Group did not have any other material acquisitions and disposals of subsidiaries and associates during the year of 2019

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

HUMAN RESOURCES

As at 31 December 2019, the Group had a total of 5,801 permanent employees (as at 31 December 2018: 5,465). Also, there were approximately 73,379 indirectly employed construction site workers (as at 31 December 2018: 72,356). These workers were not directly employed by the Group. For the year ended 31 December 2019, the total employee benefit expenses amounted to approximately RMB4,972,992,000. 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 2019, 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 of 2019. 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 on 24 March 2019 and 22 August 2019. 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 2019 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 2019 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 2019 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 2019 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
31 March 2020

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.