



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

(A joint stock limited company incorporated in the People's Republic of China)  
(於中華人民共和國註冊成立的股份有限公司)

Stock Code 股票代號 : 2355



2025 ANNUAL REPORT 年報

OUR MISSION  
我們的使命

From  
Construction to  
Manufacturing

從建造到  
製造

leads construction industry towards  
industrialisation in China.

帶領中國建築業走向產業化



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# CORPORATE PROFILE

## BUSINESS STRUCTURE



BAOYE GROUP COMPANY LIMITED

### CONSTRUCTION BUSINESS

- Government and Public Buildings
- Urban Facilities and Infrastructure
- Commercial Buildings
- Residential Buildings
- Industrial Buildings
- Electrical and Electronic Installation
- Fireproof Facilities Installation
- Curtain Wall Installation

### PROPERTY DEVELOPMENT BUSINESS

- Shaoxing "Baoye Four Seasons Garden"
- Shaoxing "Daban Low-carbon Garden"
- Shaoxing "Chunying Tangqianyuan"
- Shaoxing "Xialv Project"
- Yichang "Qinyuan"
- Mengcheng "Binhe Green Garden"
- Kaifeng "Baoye Longhu Yucheng"
- Lu'an "Baoye Junyue Green Garden"
- Zhengzhou "Zhengzhou Project"
- Sixian "Sizhou Green Garden"
- Sixian "Xuefu Green Garden"
- Bozhou "Qinglan Green Garden"
- Shanghai "Baoye • Hongqiao Guozhanli"
- Wuhan "Baoye Riverside Garden"

### BUILDING MATERIALS BUSINESS

- Curtain Wall
- Ready-mixed Concrete
- Furnishings and Interior Decorations
- Wooden Products and Fireproof Materials
- PC Assembly Plate
- Others

## BUSINESS NETWORK



BAOYE GROUP COMPANY LIMITED

### CONSTRUCTION BUSINESS

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

### PROPERTY DEVELOPMENT BUSINESS

- Zhejiang
- Shanghai
- Hubei
- Anhui
- Henan

### BUILDING MATERIALS BUSINESS

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

# CORPORATE INFORMATION

## DIRECTORS

### Non-executive Director

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

### Executive Directors

Mr. Gao Lin

Mr. Gao Jun

Mr. Jin Jixiang

Mr. Xu Gang

Mr. Wang Rongbiao

Mr. Xia Feng

### Independent Non-executive Directors

Mr. Li Wangrong

Ms. Liang Jing

Mr. Xiao Jianmu

Mr. Fung Ching, Simon

## SUPERVISORS

### Supervisors

Mr. Sun Yuguang (*Chairman*)

Mr. Kong Xiangquan

Mr. Wang Jianguo

## AUDIT COMMITTEE

Mr. Xiao Jianmu (*Chairman*)

Mr. Fung Ching, Simon

Mr. Li Wangrong

## REMUNERATION COMMITTEE

Mr. Li Wangrong (*Chairman*)

Mr. Pang Baogen

Ms. Liang Jing

## NOMINATION COMMITTEE

Mr. Li Wangrong (*Chairman*)

Mr. Wang Rongbiao

Ms. Liang Jing

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") COMMITTEE

Mr. Wang Rongbiao (*Chairman*)

Mr. Xiao Jianmu

Mr. Fung Ching, Simon

## COMPANY SECRETARY

Mr. Chow Chan Lum

## AUDITORS

### International Auditor

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

22/F, Prince's Building

Central, Hong Kong

### Statutory Auditor

PricewaterhouseCoopers Zhongtian LLP

34/F Tower A, Kingkey 100

5016 Shennan East Road

Luohu District

Shenzhen, the PRC

Post Code: 518001

## LEGAL ADVISERS

### As to Hong Kong Law

Kwok Yih & Chan

Suite 1501, 15th Floor

Bank of America Tower

12 Harcourt Road

Central, Hong Kong

### As to PRC Law

Fenxun Partners

Suite 1008, China World Tower 2

China World Trade Centre

No.1 Jianguomenwai Avenue

Beijing, PRC

Post Code: 100004

## H SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## PRINCIPAL BANKS

Agricultural Bank of China Limited  
Bank of China Limited  
Bank of Communications Company Limited  
China Construction Bank Corporation  
China Minsheng Banking Corporation Limited  
Industrial and Commercial Bank of China Limited  
Shanghai Pudong Development Bank Company Limited

## REGISTERED ADDRESS

Yangxunqiao Subdistrict  
Keqiao District, Shaoxing City  
Zhejiang Province, the PRC  
Tel: 86 575 84882990  
Post Code: 312028

## HEADQUARTER ADDRESS

No.1687 Guazhu East Road,  
Keqiao District, Shaoxing City,  
Zhejiang Province, the PRC  
Post Code: 312030

## CORRESPONDENCE ADDRESS IN HONG KONG

Room 209 Tak Woo House  
17-19 D'Aguilar Street  
Central, Hong Kong

## AUTHORISED REPRESENTATIVES

Mr. Pang Baogen  
Mr. Wang Rongbiao

## STOCK CODE

HKEX (2355)

## CONTACT

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Baoye Group Company Limited  
Tel: 86 575 84135837  
Fax: 86 575 84118792  
E-mail: [irbaoye@baoyegroup.com](mailto:irbaoye@baoyegroup.com)

## WEBSITE

[www.baoyegroup.com](http://www.baoyegroup.com)

# FINANCIAL HIGHLIGHTS

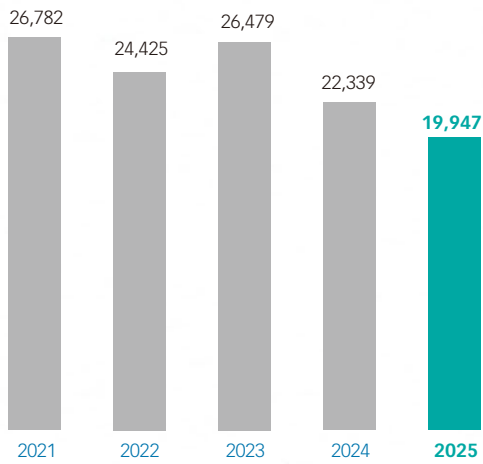
Year ended 31 December/As at 31 December					
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Results</b>					
Revenue	<b>19,946,668</b>	22,338,716	26,479,305	24,425,350	26,781,555
Gross Profit	<b>1,480,055</b>	1,741,682	2,203,933	1,799,828	2,145,995
Net Profit	<b>291,661</b>	501,243	894,380	721,405	885,374
Profit Attributable to Owners of the Company	<b>289,644</b>	409,907	889,256	704,777	788,477
Earnings per Share (RMB)	<b>0.56</b>	0.79	1.69	1.30	1.40
<b>Assets and Liabilities</b>					
Total Assets	<b>42,227,621</b>	45,202,576	48,514,157	48,820,484	48,915,671
Total Liabilities	<b>28,589,878</b>	31,655,053	35,510,228	36,965,889	37,566,498
Total Equity	<b>13,637,743</b>	13,547,523	13,003,929	11,854,595	11,349,173

## KEY FINANCIAL RATIOS

As at year ended 31 December		
	2025	2024
Return on Equity of the Company	<b>2.2%</b>	3.2%
Net Assets Value per Share (RMB yuan)	<b>25.20</b>	24.95
Net Cash Ratio	<b>43.3%</b>	49.1%
Current Ratio	<b>1.27</b>	1.22
Net Cash Used in Operating Activities (RMB'000)	<b>(332,041)</b>	(24,485)

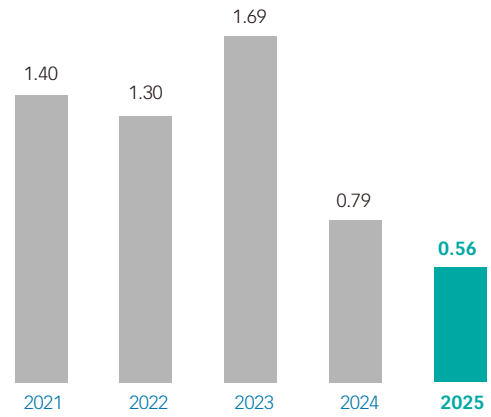
## REVENUE

(in RMB million)



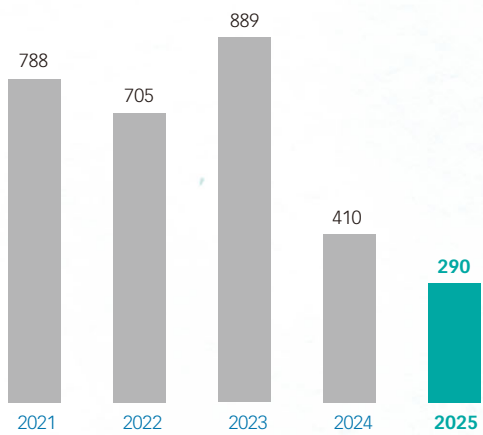
## EARNINGS PER SHARE

(RMB)



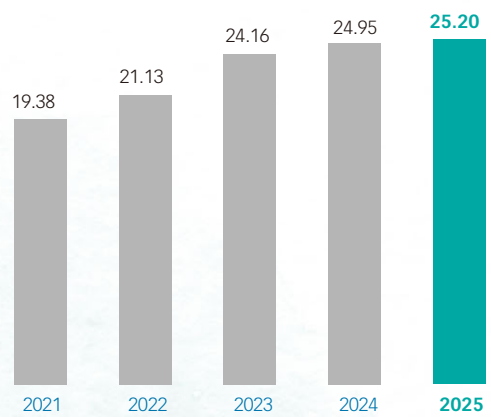
## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(in RMB million)



## NETS ASSETS VALUE PER SHARE

(RMB)



# CHAIRMAN'S STATEMENT

To the Shareholders:

On behalf of the Board, I am pleased to report the audited financial results of Baoye Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2025. For the year ended 31 December 2025, the Group achieved audited consolidated revenue of approximately RMB19,946,668,000, representing a decrease of approximately 10.7% as compared to last year; profit attributable to owners of the Company amounted to approximately RMB289,644,000, representing a decrease of approximately 29.3% as compared to last year; earnings per share was RMB0.56, representing a decrease of approximately 29.1% as compared to last year. In 2025, the economic landscape remained complex and challenging. Having experienced rapid development over more than three decades, the broader construction industry – in which the Group operates – has entered a new phase featuring green and low-carbon transition, intelligent industrialization, restructuring of market dynamics, business model upgrading, and enterprise to live or die. By staying committed to construction industrialization, green manufacturing, and the development philosophy of "operating within our capacity", Baoye has been able to endure amid the industry's profound restructuring and survival of the fittest. The Board recommends the payment of a final dividend of RMB0.085 per share in respect of the year ended 31 December 2025. Details of operating and financial performance of the Group will be discussed in the "Management Discussion and Analysis" section of this annual report.

Looking back at 2025, uncertainties persisted in the external economic environment, and internal structural transformation pressures continued. In the face of an increasingly severe market and challenging development tasks, we recognise that only by building more robust foundations in finance and business can we embark on a new stage of high-quality development. The Group has remained steadfast in its commitment

to reducing costs and enhancing efficiency through fine management, reinforcing security defenses through risk prevention and control, and driving systematic improvement in organizational capability. In adherence to the philosophy of "upholding long-termism to navigate through economic cycles", Baoye has built upon its existing business foundation to actively explore vertical extension and synergistic development across the industrial chain. These efforts have not only elevated the Group's competitive position in the market, but also laid a solid foundation for its long-term sustainable development.

Changing landscapes never favour those who hesitate or speculate, but chances are always for those who act with conviction and ambition. Amid a volatile market, we should neither pin all our hopes on market environment nor fall into disarray in the face of change and uncertainty. Instead, we should strive to grow upward and take root downward while gathering strength in quiet consolidation, which means making solid advances to be well-positioned for an even greater leap forward.

## ENHANCING BRAND BUILDING

Over two decades ago, the Group put forward that "Baoye builds good houses", placing particular emphasis on the innovation and upgrading of construction techniques. At present, the "one-hundred-year housing" developed by Baoye has achieved industrialisation at an integration rate of 87.5%. In 2025, many of the Company's property projects earned authoritative industry certifications such as "Good Houses", "Good Communities" and "High-Quality Residences", which have earned high recognition from government and clients, and provided exemplary practices of good houses for the industry to follow and spread. In October 2025, the Company organised the "2025 China High-Quality Residential Development Forum" hosted by the China Real Estate Association. In the same month, the Company participated in the Zhejiang Provincial "Good Houses" Exhibition held by the Zhejiang Construction

Industry Association, featuring a separate exhibition hall to display its long-lasting “one-hundred-year housing” developed through an integrated full-industrial-chain model as well as a manufacturing approach, which drew widespread attention at the event. In November 2025, Rui Garden of Baoye Four Seasons Garden was showcased at the “Good Houses” Technology Exhibition held by the Ministry of Housing and Urban-Rural Development in Beijing. “Baoye builds good houses” is more than just a long-standing commitment to quality upheld by Baoye; it has evolved into a quality brand built upon technological innovation, quality practices and market validation.

### **PURSuing THE PATH OF SCIENTIFIC AND TECHNOLOGICAL INNOVATION FOR TRADITIONAL INDUSTRIES**

A race to the bottom among conventional players will inevitably lead to fierce competition. Regardless of market fluctuations, enterprises who seek lasting success in today's complex and fast-changing world must become long-termists, stay committed to doing what is difficult yet right, and refuse to be swayed by short-term gains. As I mentioned at the Symposium on Scientific and Technological Development in

early 2025, Baoye's scientific and technological achievements in building energy efficiency have reached a leading position domestically while being internationally competitive. Building on our research and application of overall building Q-value technology, we have accumulated more data and conducted more practical verifications in extreme climate zones, the relevant data of which is providing technical support for the iteration of national, industrial and association standards. Furthermore, these achievements were cited in the Opinions of the CPC Central Committee and the State Council on Promoting High-Quality Urban Development, published on the front page of People's Daily on 29 August 2025. Meanwhile, the project of China Building Energy Efficiency Research Center is progressing steadily, which fully applies Baoye's construction industrialisation integration technologies and green building materials developed over years. It will establish tech innovation demonstrations such as a zero-energy exhibition hall, serving as a key platform for the Company's building energy efficiency and carbon reduction technologies from lab experiments to practical application. The integration of corporate platforms with science and technology provides strong support for the Group's high-quality development.

### **UPGRADING "ONE-HUNDRED-YEAR GOOD HOUSING" PRODUCTS, BRINGING LOW-CARBON AND ENERGY-EFFICIENT "GOOD HOUSES" TECHNOLOGICAL PRODUCTS FROM LAB TO MARKET**

The Group has not only undertaken many high-level, sophisticated and cutting-edge projects, but also has applied its technology and product systems to property projects, by leveraging the strengths in building energy efficiency technology and construction industrialisation covering the entire industrial chain. We have our own testing grounds – four "one-hundred-year housing" good houses demonstration projects, namely Baoye • Xinqiao Fengqing, Daban Green Garden, Rui Garden of Baoye Four Seasons Garden, and Chunying Tangqianyuan, showcase Baoye's innovative achievements in building energy efficiency technology research and construction industrialisation integration of the entire industrial chain from the perspectives of safety, comfort, sustainability and intelligence. These projects have steadily enhanced product performance, represented the continuous iteration and technological upgrades of the Group's "one-hundred-year housing" from Version 1.0 to 4.0, and have realized a closed loop of the entire process from technology to marketplace. Throughout this process, the Group has consistently refined its high-quality "one-hundred-year housing" building system, featuring the pursuit of building longevity, excellent quality, green and low-carbon through construction

industrialisation. The core of achieving these goals is the integrated manufacturing of construction industrialisation. Comprising 80,000 parts produced on assembly lines, a house can be built in the same way as car manufacturing, which can improve building quality, shorten construction period, and save water, energy and materials. Currently, Baoye adopts the approach of "energy conservation in technology and management", and takes the lead in piloting "carbon credits" incentive programs in two ongoing property projects in Keqiao and Shaoxing. These initiatives aim to foster the awareness of energy conservation and carbon reduction among residents and the wider community, by offering carbon credit rewards for saving electricity, energy and water, thereby contributing to energy conservation and carbon reduction during the building operation phase.

As Darwin famously noted, "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change." Leveraging its forward-looking vision, Baoye has achieved healthy growth by pivoting with the times. Looking ahead, the Company will uphold the progressive belief of "striving for renewal every day" to drive continuous innovation in management, proactively pursue breakthroughs in business, and explore boldly in technology. We will integrate our development into the broader context of national strategies and urban development, seize opportunities and expand our operations by contributing to urban construction, governance, renewal and security.

The Group has been publishing its environmental, social and governance report since 2016. We employ professional third-party agencies to help us to disclose qualitative and quantitative indicators that meet industry characteristics in a more detailed manner. In corporate governance, we incorporate ESG training into the training for Board members and include climate-related risks and opportunities faced by the Company in the terms of reference of the Environmental, Social and Governance Committee. The Group is dedicated to preserve its longstanding operational philosophy in providing and disclosing transparent information that would bring our business partners in sync with our corporate direction. The Group has taken various activities and steps towards its responsibility for environment and society, details of which are shown on the "Environmental, Social and Governance Report 2025" published at the same day.

### APPRECIATION

Sound corporate governance relies on effective communication between the company, its shareholders and investors. In the Corporate Governance Report, we have set out the procedures for shareholders to propose candidates for election as directors. The Nomination Committee of the Board regularly reviews the structure, size and composition of the Board, and identifies suitable candidates to join the Board. We also welcome nominations from shareholders, and the selection of ethical and competent talents from the management team to participate in the election of directors and even the appointment of the Chairman of the board. We warmly welcome and invite outstanding talents from the society to join Baoye. Last but not least, I, on behalf of the Board, would like to extend my sincerest thanks to our shareholders, investors, customers, vendors, banks, and other intermediaries for their continuous patronage and support; special thanks to our loyal employees for their hard work and dedication to achieving success, and together, we look forward to many more rewarding years for our shareholders, to witnessing the evolution of China's construction industry, and to making meaningful contributions to society.

**Mr. Pang Baogen**

*Chairman of the Board*

27 March 2026

# MANAGEMENT DISCUSSION AND ANALYSIS



## RESULTS REVIEW

For the year ended 31 December 2025, the Group achieved a consolidated revenue of approximately RMB19,946,668,000 (2024: RMB22,338,716,000), representing a decrease of approximately 10.7% compared to the previous year; operating profit reached approximately RMB673,188,000 (2024: RMB960,704,000), representing a decrease of approximately 29.9% compared to the previous year; profit attributable to owners of the Company amounted to approximately RMB289,644,000 (2024: RMB409,907,000), representing a decrease of approximately 29.3% compared to the previous year; earnings per share was RMB0.56 (2024: RMB0.79), representing a decrease of approximately 29.1% compared to the previous year.

## New Equity Investment

In September 2025, the Company acquired 9% equity interest in Zhejiang Architectural Science Design and Research Institute Company Limited from 17 individual investors at a cash consideration of RMB71,731,000. Founded in 1955, Zhejiang Architectural Science Design and Research Institute Company Limited is one of the 35 provincially-administered scientific research institutes in Zhejiang Province. Distinguished by a full range of specialties, technical authority, an extensive industrial chain and growing influence, it is a scientific research institute and technical service provider within the province's construction sector. By leveraging our strategic synergy, the Company expects to further enhance its market influence in the industry.

## Revenue

	For the year ended 31 December				Change
	2025		2024		
	RMB'000	% of total	RMB'000	% of total	
Construction	11,852,095	59%	14,135,006	63%	-16%
Property Development	5,411,561	27%	5,269,450	24%	3%
Building Materials	2,323,398	12%	2,542,462	11%	-9%
Others	359,614	2%	391,798	2%	-8%
<b>Total</b>	<b>19,946,668</b>	<b>100%</b>	<b>22,338,716</b>	<b>100%</b>	<b>-11%</b>

## Operating Profit

	For the year ended 31 December				Change
	2025		2024		
	RMB'000	% of total	RMB'000	% of total	
Construction	358,297	53%	524,089	55%	-32%
Property Development	402,848	60%	435,792	45%	-8%
Building Materials	(90,891)	-14%	(27,321)	-3%	-233%
Others	2,934	1%	28,144	3%	-90%
<b>Total</b>	<b>673,188</b>	<b>100%</b>	<b>960,704</b>	<b>100%</b>	<b>-30%</b>

## Operating Profit Margin

	For the year ended 31 December		Change
	2025	2024	
Construction	3.0%	3.7%	-18%
Property Development	7.4%	8.3%	-10%
Building Materials	-3.9%	-1.1%	-264%
Others	0.8%	7.2%	-89%

## Management Discussion and Analysis

### Construction Business

For the year ended 31 December 2025, the Group's construction business achieved revenue of approximately RMB11,852,095,000, representing a decrease of approximately 16% from last year; operating profit amounted to approximately RMB358,297,000, a decrease of approximately 32% compared to last year. In 2025, the decrease in revenue and operating profit of the construction business was mainly due to a sharp market contraction, the industry's transition into an era of inventory competition with serious overcapacity, and the continuing decline in gross profit margins of construction enterprises, which were directly caused by multiple factors, including a slowdown in macroeconomic growth, a deceleration in direct infrastructure investment growth driven by mounting fiscal pressures on local governments, and the shrinking demand for housing construction amid the deep adjustment of real estate sector.

The Group acquired new construction business orders of approximately RMB9.69 billion in 2025 (2024: RMB10.92 billion), a decrease of approximately 11.3%.

The Group evaluates the risks carefully before bidding for projects to ensure the capital safety. In 2025, the high-end projects acquired by the Group are as follows: Keqiao North Ring Expressway Project (an expressway-grade upgrade of Linhang Avenue and Hangzhou Bay Avenue), Keqiao North Ring Binhai Extension Project (Lvyun Road – Chunxiao Road Section), Zhejiang Xingke Advanced Optoelectronic Display Industry Project (Phase II), Airport-Based Digital Intelligence Industrial Park (Phase I of the Zhejiang Provincial Modern Industrial Park for Civil Air Defense), Suzhou Plot No. 2023-WG-97 Project of Suzhou Hongcheng Real Estate Company Limited, Qingpu District Plot No. 57-01 (Pangu Phase II) Project, Putian Communication (Tianjin) Company Limited New Economy Talent Life Centre Project, Botswana NF Road Project, etc.

The Group focuses on brand building and continues to rank among the best in Zhejiang's construction industry in terms of awards. In 2025, the Group received a total of 44 awards. The key award-winning projects are set out as follows:

Project Name	Award
Xingfa Group Yichang Headquarter	Chutian Cup
Baoyi • Future Yangtze City	Chutian Cup
Nanshan Yuefu	Chutian Cup
Jindi Laoguancun Plot No. K2	Chutian Cup
Baoye Optics Valley Central City Plot No. 108	High-quality Project for Building Structure of Hubei Province
Yichang Baoye Plot No. 52#	High-quality Project for Building Structure of Hubei Province
Taihe Jiangnanfu	Huangshan Cup
Pujiang County People's Hospital	Shuanglong Cup
Plot A of the rebuilding of dilapidated houses in Laohegang Area	Hupo Cup
Baoye Sizhou Green Garden	Jinji Cup

### Property Development Business

#### Property Sales

For the year ended 31 December 2025, revenue of the Group's property development business amounted to approximately RMB5,411,561,000, representing an increase of approximately 3% from last year. Operating profit amounted to approximately RMB402,848,000, a decrease of approximately 8% compared to last year. As the real estate market was still undergoing adjustment,

the Company has made provisions for a certain amount of impairment loss on some property development projects which has further affected the operating profit. In 2025, the Group's property development business made every effort to improve quality and reduce inventory, and the projects in Shaoxing, Wuhan and other cities still achieved remarkable sales results against challenging market conditions.

For the year ended 31 December 2025, revenue from 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 (Sqm)	Revenue (RMB'000)
Baoye Puyuan	Wuhan	16,488	101,769	1,677,944
Baoye Four Seasons Garden	Shaoxing	16,994	73,547	1,249,830
Baoye Qinyuan	Yichang	8,254	67,604	558,009
Baoye Biou Jiayuan	Lishui	8,233	51,070	420,456
Baoye Binhe Green Garden	Mengcheng	4,775	42,412	202,521

For the year ended 31 December 2025, the sales contracts of the Group's property development business amounted to approximately RMB3.34 billion (2024: RMB2.87 billion) with a contract sale area of approximately 343,174 square metres, excluding the property sales registered under joint ventures, as they will be progressively completed, delivered and recognised as revenue in the next two to three years.

## Management Discussion and Analysis

### *Projects under development*

As at 31 December 2025, the Group's main projects under development are set out below:

<b>Project Name</b>	<b>Location</b>	<b>Total GFA Under Development (sqm)</b>	<b>Equity Interest of the Group</b>
Baoye Four Seasons Garden	Shaoxing	144,582	100%
Daban Low-carbon Garden	Shaoxing	35,656	100%
Chunying Tangqianyuan	Shaoxing	78,551	70%
Xialv Project	Shaoxing	Under Planning	60%
Qinyuan	Yichang	99,128	100%
Binhe Green Garden	Mengcheng	86,443	100%
Baoye Longhu Yucheng	Kaifeng	300,598	60%
Baoye Junyue Green Garden	Lu'an	216,407	100%
Zhengzhou Project	Zhengzhou	Under Planning	51%
Sizhou Green Garden	Sixian	23,012	100%
Xuefu Green Garden	Sixian	Under Planning	100%
Qinglan Green Garden	Bozhou	252,268	51%
Baoye • Hongqiao Guozhanli	Shanghai	Under Planning	100%
Baoye Riverside Garden	Wuhan	Under Planning	100%

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

Daban Low-carbon Garden, located in the main urban area of Keqiao District, Shaoxing City, Zhejiang Province, was acquired by a wholly-owned subsidiary of the Company in July 2024 at a total consideration of RMB291,876,600 through public bidding. The project has a total site area of approximately 14,094 square metres and a total gross floor area of approximately 35,655.62 square metres. It consists of 6 high-rise residential buildings of 16-17 storeys and is close to primary, junior high, high schools and the Banhu Park. The project has started presale in April 2025 with sound results of over half units presold, and is scheduled to be delivered in September 2027.

Chunying Tangqianyuan, located in Yuecheng District, Shaoxing City, Zhejiang Province, covers a total site area of approximately 42,966 square metres and a total gross floor area of approximately 78,551 square metres. In July 2024, the Group acquired this land use right at a total consideration of RMB416,000,000 through public bidding, of which the Group holds a 70% interest. With a plot ratio of 1.2 times, the project consists of 12 residential buildings of 8-10 storeys and has well-established supporting facilities and beautiful natural scenery. The project is close to Tashan and Fushan parks and surrounded by commercial landmarks like Intime Department Store and Shaoxing Place, as well as culture, tourism and education resources like Lu Xun Native Place and Shaoxing University. It is committed to creating a residential compound of high-quality, low-density garden that combines urban prosperity with poetic flavour of nature. At present, the project is still under construction and has started presale in September 2025.

Xialv Project consists of three separate parcels of land with a total cost of RMB511,036,354 and a total site area of 262,862 square meters, of which the Group holds a 60% interest. The Group acquired the land use rights through public judicial auction in 2017. One of the three parcels of land, Baoye Yunxili has been completed with some remaining units for sale. The other two parcels of land are pending to be developed.

## Management Discussion and Analysis

Baoye Qinyuan, located in center area of Wujiagang District, Yichang City, acquired by a subsidiary of the Company in December 2022 at a total consideration of RMB455,100,000 through public bidding, has a total land area of approximately 73,405 square meters and a total gross floor area of approximately 196,596 square meters. The project will be constructed with a rare plot ratio of 2.0 times in the center of Yichang City. The project is surrounded by schools and is close to Binjiang Park, 1st May Square and White Horse Park. The project is developed in two phases. The first phase has started presale in November 2023 with its residential and commercial units sold out, receiving the honor of Yichang's Best-Selling Buildings of 2024. The second phase commenced construction at the end of 2024 and has started presale in January 2025, of which 8 buildings are currently under presale with over 62% units sold, and it was recognised as Yichang's Best-Selling Buildings in the second quarter of 2025 and Yichang's Top 5 Best-Selling Buildings by online contract registrations of 2025.

Mengcheng Binhe Green Garden, located in Mengcheng City, Anhui Province, has a site area of approximately 76,503 square meters and a plot ratio of 2.0 times. A wholly-owned subsidiary of the Company acquired this parcel of land use rights in May 2022 at a total consideration of RMB240,990,000. Phase I has been delivered, and the six 8-storey town houses in Phase II are expected to be delivered in January 2026; Phase III is expected to comprise two 8-storey town houses, five mid-rise buildings of 15–18 storeys, one 26-storey high-rise building, as well as street-front retail units and ancillary facilities, of which the main structures have all been completed with interior finishing works currently underway, the on-site landscaping has been mainly completed, and is scheduled to be delivered in May 2026.

Baoye Longhu Yucheng is located in a prime area of Eastern New City, Xiangfu District, Kaifeng City, Henan Province. It has a total site area of approximately 648,000 square metres and an estimated gross floor area of approximately 972,000 square metres. After completion, it will become the city's new business centre and leisure centre. The project will be developed in five phases. The first, second and third phases have successively been delivered with only a few remaining units available for sale. The fourth and fifth phases are still under planning.

Baoye Junyue Green Garden is located in Lu'an City, Anhui Province. The project was acquired by the Group through a judicial auction in September 2017. This part has a total site area of approximately 54,220 square meters and a gross floor area of approximately 177,162.58 square metres, which was delivered at the end of 2020 and is currently in the process of being settled for land appreciation tax. The surrounding transportation of the project is convenient, the supporting facilities are well-developed, and there are parks, banks, shopping malls and other commercial facilities. In February 2019, the project company obtained another land use right with a total site area of approximately 111,947 square meters on the west side of the project, which consists of 21 high-rises and will be developed in two phases. At present, all the buildings have been delivered except for the remaining two buildings of Phase II, which are under construction with their main structure completed and are scheduled to be completed and delivered by the end of 2026.

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

Sizhou Green Garden is located in the Economic Development Zone of Sixian County, Suzhou City, Anhui Province. In May 2019, the Group acquired the land parcel A and B with a total site area of approximately 46,888 square meters and a gross floor area of approximately 124,907 square meters at a total consideration of RMB113,500,000 through public auction. In April 2020, the Group acquired the land parcel C with a total site area of approximately 42,007 square meters at a total consideration of RMB107,120,000 through public auction. This project enjoys well-developed facilities, convenient transportation and education resources. The land parcels A and B have been delivered. The land parcel C has been partially delivered, of which 2 buildings have been delivered in January 2026.

Sixian Xuefu Green Garden, located in Sixian Economic Development District, Suzhou City, Anhui Province, has a site area of approximately 111,955 square meters. The Group obtained this land use right in June 2021 through public auction at a total consideration of RMB300,000,000. The project is currently under planning.

Qinglan Green Garden, located in Lixin County, Bozhou City, Anhui Province, has a site area of approximately 171,109 square meters and a gross floor area of approximately 404,465 square meters with a plot ratio of 1.8. A subsidiary of the Company obtained this land use right in September 2021 at a total consideration

of RMB565,000,000. The Company holds 51% interest in the project. Phases I and II of the south part of the project have been delivered, while Phase III is currently under presale. The south part is expected to be delivered in August 2026.

Baoye • Hongqiao Guozhanli, located in the Xujing area, Qingpu District, Shanghai, has a total site area of approximately 24,919.52 square meters, with a planned gross floor area of approximately 54,822.94 square meters. A wholly-owned subsidiary of the Company acquired this land use right in November 2025 at a total consideration of RMB1,730,240,000. The project comprises nine residential buildings ranging in height from 15 to 18 storeys with a plot ratio of 2.2 times, and benefits from a full range of commercial, transportation and industrial resources in its vicinity. Positioned as “West Hongqiao improved housing benchmark”, the project will leverage our proprietary prefabricated construction system and ultra-low energy consumption technology, and create a new model of “technological one-hundred-year housing” that is healthy, comfortable and energy-efficient. The construction and presale of the project are expected to commence in 2026.

Baoye Riverside Garden, located at the intersection of Linjiang Avenue and Jianshe First Road in Qingshan District, Wuhan City, Hubei Province, enjoys unparalleled panoramic riverside views. A wholly-owned subsidiary of the Company acquired this land use right at a total consideration of RMB323,400,000 through public bidding in December 2025. The project has a site area of approximately 16,229 square meters and a gross floor area of approximately 35,800 square meters with a plot ratio of 2.3 times. Drawing on our one-hundred-year housing construction strength covering the entire industrial chain, the project is intended to be developed into a rare improved project in the Wuchang riverside region. The project is currently under planning.

## Management Discussion and Analysis

### New Land Reserve

During the year of 2025, the newly acquired land reserve is tabulated below:

Time	Location	Cost (RMB'000)	Land area (sqm)	Equity
November, 2025	Qingpu District, Shanghai	1,730,240	24,919.52	100%
December, 2025	Wuhan City, Hubei Province	323,400	16,229	100%

With regard to the new land reserve, the Group, on the premise of ensuring the bottom line of security, will continue to adopt a prudent but proactive attitude and adhere to the philosophy of prudent operation and innovative operating methods. In the future, the Group will extensively evaluate comprehensive factors such as the overall debt level of local governments, population inflow and outflow, and manufacturing development in the region in our land acquisition strategy, with a particular focus on the prime areas of prosperous center cities in Shanghai City, Zhejiang and Hubei Provinces where the Group's business is mainly conducted.

### Building Materials Business

For the year ended 31 December 2025, revenue of the Group's building materials business amounted to approximately RMB2,323,398,000, representing a decrease of approximately 9% compared to last year; operating loss was approximately RMB90,891,000, a notable increase in operating loss compared to the operating loss of approximately RMB27,321,000 last year was mainly due to an impairment loss of approximately RMB157,588,000 on construction stone mining right was recognised since the shrinking market led to a decline in upstream stone prices, while such impairment loss of approximately RMB38,432,000 was recorded in 2024.

For the year ended 31 December 2025, revenue from the Group's building materials is analysed below:

	For the year ended 31 December				Change
	2025		2024		
	RMB'000	% of total	RMB'000	% of total	
Curtain Wall	1,444,335	62%	1,722,913	68%	-16%
Ready-mixed Concrete	197,993	9%	130,214	5%	52%
Furnishings and Interior Decorations	72,745	3%	165,510	7%	-56%
Wooden Products and Fireproof Materials	69,814	3%	63,366	2%	10%
PC assembly plate	329,380	14%	327,156	13%	1%
Steel Structure	39,466	2%	27,223	1%	45%
Others	169,665	7%	106,080	4%	60%
<b>Total</b>	<b>2,323,398</b>	<b>100%</b>	<b>2,542,460</b>	<b>100%</b>	<b>-9%</b>

### Construction stone mining rights

Yichang Baoye Mining Company Limited, a wholly-owned subsidiary of the Company, owns a construction stone mining right located in Yichang City, Hubei Province. In 2022, it acquired the mining right located in Yichang City, Hubei Province at a total consideration of RMB371,613,000 for a term of 23 years with a mine area of approximately 0.3323 square kilometres. According to the Geological Survey Report of Caijiawan Limestone for Construction of Yichang Baoye Mining Company Limited and the review filing reply letter and the review opinion, the mining right area of Caijiawan Limestone for Construction Stone of Yichang Baoye Mining Company Limited identified a retained ore resource of 52.848 million tons of limestone for construction. Due to the contraction of the downstream construction market, demand for construction stone has declined, resulting in a significant decrease in the selling prices of the Company's construction stone. Based on a prudent assessment of the future market for construction stone, an impairment loss on this intangible asset of approximately RMB157,588,000 (2024: approximately RMB38,432,000) has been recognised for the year ended 2025.

## Management Discussion and Analysis

### BUSINESS PROSPECT

#### Construction Business

In 2026, China's construction industry will remain in a critical period of profound adjustments, and there is a common consensus within the industry that the sharp market contraction has intensified industry competition and posed an existential challenge to enterprises. In view of multiple factors such as slowing population growth, an accelerating population ageing process, a continuing slump in real estate market, and declining investment growth, the construction industry has lost momentum of high growth rate in terms of its gross output value, and the industry faces a major trend transforming from rapid expansion to high-quality development. As the most dynamic entities of the industry ecosystem, private construction companies are confronted with unprecedented survival tests, yet also embrace the opportunities for breakthroughs and development. The Master said, "When the year becomes cold, then we know how the pine and the cypress are the last to lose their leaves." The harsh environment has never broken the most resilient ones; instead, it has allowed us to become more clear-eyed about the complex market, better capture the market trends, and grow the business through hard work. Faced with the irreversible trend of market contraction, private construction enterprises should neither yield to pessimism nor resort to passive responses. Only by steering changes and synergistically "deepening roots domestically" while "going global", can we remove the bottlenecks impeding development and strive for survival and upgrading. In the future, the construction business of the Group will continue to optimise its market layout in a targeted manner, with a focus on growing business in the economically developed regions of Jiangsu, Zhejiang and Shanghai, and seek cooperation for undertaking high-value-added projects with centrally-administered and locally-administered state-owned enterprises. Meanwhile, we will pilot initiatives to expand emerging overseas markets such as Southeast Asia and the Middle East, and focus on "small and beautiful" projects including industrial park

supporting facilities and public wellbeing infrastructure, and also pursue opportunities in urban renewal, old town renovation and underground pipeline network upgrades, to explore new growth drivers by leveraging the flexible and efficient cost advantages of private enterprises.

#### Property Development Business

The profound adjustments of China's real estate industry impact every aspect of the nation's economy and social development. Governments, enterprises and individuals should face the reality: the sector's underlying logic has changed radically. If we remain entrenched in outdated mindsets, all stakeholders involved in the real estate sector will fall behind the times. At present, policies have already eased significantly, mainly manifested in the lifting of home purchase curbs in many cities and the lowest-ever down payment ratio and mortgage interest rate, which further stabilises market expectations and unleashes demand. Amid policy tailwinds, the market performance remains divergent. Specifically, homebuying activities were picked up in core areas of certain key cities, characterised by high-quality projects and improvement-oriented demand, while inventory pressures persist nationwide. In the future, the property sector will not vanish; instead, it will transform from "scale dividend" to "quality dividend". Property developers' core competitiveness will no longer lie in scale and speed, but rather in their comprehensive strength in terms of product quality, service levels and sci-tech innovation capacity. The Group's property development business will intensify efforts to create "one-hundred-year" housing projects. Looking ahead, with the imminent launch of two major projects in Shanghai and Wuhan, the Company will stand out amidst the sluggish market, as its projects like Chunying Tangqianyuan, Puyuan and Qinyuan constantly lead in their respective regional markets. The Group will continue to prudently increase land reserves in economically developed regions, and leverage one-hundred-year housing system to build good houses that are safe, comfortable, eco-friendly and smart.

### Housing Industrialization Business

The future is determined by our courage to look ahead, envision the industry landscape for the next decade, and support forward-looking and long-term initiatives. Pursuing a new model of construction industrialization – characterised by high technological content, more economic returns, low resource consumption, less environmental pollution, and optimal human resource deployment – is an inevitable choice to address the long-standing challenges plaguing China’s construction industry, including large scale but weak competitiveness, poor industrial foundation, insufficient coordination across the industrial chain, fragmented industrial organisation, and extensive and outdated construction methods. Construction industrialisation, as the core driving force behind the high-quality development of the construction industry, shifts the production of building components from traditional construction sites to factory environments. Its automatic and intelligent production methods significantly enhance the precision and quality of building components, reduce material waste, and improve production efficiency. In addition, its on-site mechanised and prefabricated construction techniques not only lower environmental pollution and resource consumption and increase construction efficiency, but also ensure the overall quality and safety of buildings. Moving forward, the Company will continue to envision the future with foresight and focus on our goals with resolve. We will actively keep abreast of the development trends of construction industrialisation and adjust business and regional layouts based on our resource endowments. We will work to build an intelligent construction system integrating the entire industrial chain of scientific research, design, production and processing, construction and assembly, and operation, while advancing along the path of green buildings and digital transformation.

## FINANCIAL REVIEW

### Financial Policies

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

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

### Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognised by the People’s Bank of China. Such excellent credit rating will benefit the Group’s financing activities and allow the Group to continue to enjoy the prime rate offered by the banks. During the year, the Group maintained part of its borrowings on an unsecured basis. The amount of secured debt accounted for approximately 14.6% of the total borrowings (2024: 10.6%). In addition, approximately 46% of the total borrowings (2024: 51.7%) were guaranteed by the Company; approximately 0.2% of the total borrowings (2024: 0.3%) were jointly guaranteed by the Company and non-controlling interests. Leveraging on its excellent credit rating, the Group intends to continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

## Management Discussion and Analysis

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 2025, the Group has unutilised banking facilities amounting to approximately RMB7.9 billion. As at 31 December 2025, the Group's gearing ratio (being its total liabilities divided its total equity) was 2.1 (31 December 2024: 2.3).

Details of which are analysed below:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Cash and cash equivalents	6,468,851	8,009,474
Term deposits with initial term of over three months	1,973,120	832,376
Restricted bank deposits	1,290,062	1,248,932
Less: total borrowings	4,050,455	3,708,948
Net cash	5,681,578	6,381,834
Total equity attributable to owners of the Company	13,120,590	12,989,506
Net cash ratio	43.3%	49.1%

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

### Other Key Financial Ratios

	As at 31 December	
	2025	2024
Return on equity	2.2%	3.2%
Net assets value per share (RMB yuan)	25.20	24.95
Current ratio	1.27	1.22

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

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

Current ratio = current assets/current liabilities

During this year, the profit attributed to owners of the Company was approximately RMB289,644,000, representing a decrease of approximately 29.3% over last year. The return on shareholders' equity decreased by approximately 30% over the previous year. And the net assets value per share increased by approximately 1.0% as compared to last year. As at 31 December 2025, the Group was still in a net cash position with a net cash ratio of 43.3%.

## Cash Flow Analysis

	Note	For the year ended 31 December	
		2025 RMB'000	2024 RMB'000
Net cash used in operating activities	(i)	<b>(332,041)</b>	(24,485)
Net cash used in investing activities	(ii)	<b>(1,453,605)</b>	(533,165)
Net cash generated from/(used in) financing activities	(iii)	<b>255,489</b>	(870,425)
Net decrease in cash and cash equivalents		<b>(1,530,157)</b>	(1,428,075)
Exchange (losses)/gains on cash and cash equivalents		<b>(10,466)</b>	5,196

Note:

- i During the year, the net cash used in operating activities was approximately RMB332,041,000, an increase of cash outflow of approximately RMB307,556,000 compared to the net cash outflow of approximately RMB24,485,000 of last year, which was primarily due to the decrease in receipt from construction business during the year compared to last year, as well as acquisition of two parcels of land use rights.
- ii During the year, the net cash used in investing activities was approximately RMB1,453,605,000, an increase of cash outflow of approximately RMB920,440,000 compared to the net cash outflow of approximately RMB533,165,000 of last year, which was mainly due to the increase in placement of term deposits with initial term of over three months.
- iii During the year, the net cash generated from financing activities is approximately RMB255,489,000, an increase of cash inflow of approximately RMB1,125,914,000 compared to the net cash outflow of approximately RMB870,425,000 of last year, which was mainly due to the increase in bank borrowings during the year.

## Management Discussion and Analysis

### Other Losses – Net

During the year of 2025, the Group recorded other losses – net of approximately RMB152,656,000, representing an increase of approximately RMB137,430,000 compared to the other losses – net of approximately RMB15,226,000 last year, mainly due to the impairment loss on construction stone mining right of RMB157,588,000 recorded during the year.

### Selling and Marketing Costs

The Group's selling and marketing costs amounted to approximately RMB176,578,000 for the year ended 31 December 2025 (2024: approximately RMB160,108,000), representing an increase of approximately RMB16,470,000, mainly due to the increase in the number of projects available for sale and the increase in the selling and marketing costs.

### Administrative Expenses

The Group's administrative expenses amounted to approximately RMB706,743,000 for the year ended 31 December 2025, representing a decrease of approximately RMB48,876,000 compared to approximately RMB755,619,000 of last year, primarily due to the decrease in depreciation charge during the year.

### Finance Costs – Net

During the year ended 31 December 2025, the Group recorded net finance costs of approximately RMB23,859,000 (2024: RMB14,828,000).

### Income Tax Expenses

During the year ended 31 December 2025, income tax expenses were comprised of PRC corporate income tax of RMB138,677,000 (2024: RMB246,689,000) and PRC land appreciation tax of RMB151,152,000 (2024: RMB230,783,000), representing a decrease of approximately RMB187,643,000 from the previous year. Revenue from the construction business during the year decreased compared to last year and a lower profit margin led to the decrease of corporate income tax. The lower profit margin of the recognised property projects compared to last year led to the decrease of PRC land appreciation tax.

### 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 2025, the Group's land appreciation tax amounted to approximately RMB151,152,000.

## Financial Guarantee

	31 December 2025 RMB'000	31 December 2024 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers (a)	889,986	1,308,906
Guarantees to an associate and a joint venture in respect of borrowings (b)	99,980	49,980
<b>Total</b>	<b>989,966</b>	<b>1,358,886</b>

- (a) The Group provided guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of properties developed by the Group. The banks will release such guarantees upon the delivery of the building ownership certificates of such properties to banks as securities.
- (b) These mainly represented the maximum exposure of the guarantees provided for borrowings of an associate and a joint venture.

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

As at 31 December 2025, properties under development, property, plant and equipment, right-of-use for land at a total value of approximately RMB1,630,941,000 (as at 31 December 2024: RMB847,422,000) were pledged to banks as security in secured bank borrowings.

## Capital Expenditure Plan

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

## 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 in RMB exchange rate and other foreign exchange fluctuations to have material impact on the business operations or financial results of the Group.

# CORPORATE GOVERNANCE REPORT

The Group is committed to establishing an efficient, orderly, transparent and steady corporate governance mechanism. Since its listing, the Company strives to comply with the Company Law of the PRC (“Company Law”), the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange of Hong Kong Limited (“the Stock Exchange”), the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “CG Code”), where appropriate, adopted the recommended best practices set out in the CG Code and other relevant laws and regulations, and will regularly review the corporate management activities to enhance corporate value so as to ensure a sustainable development of the Company.

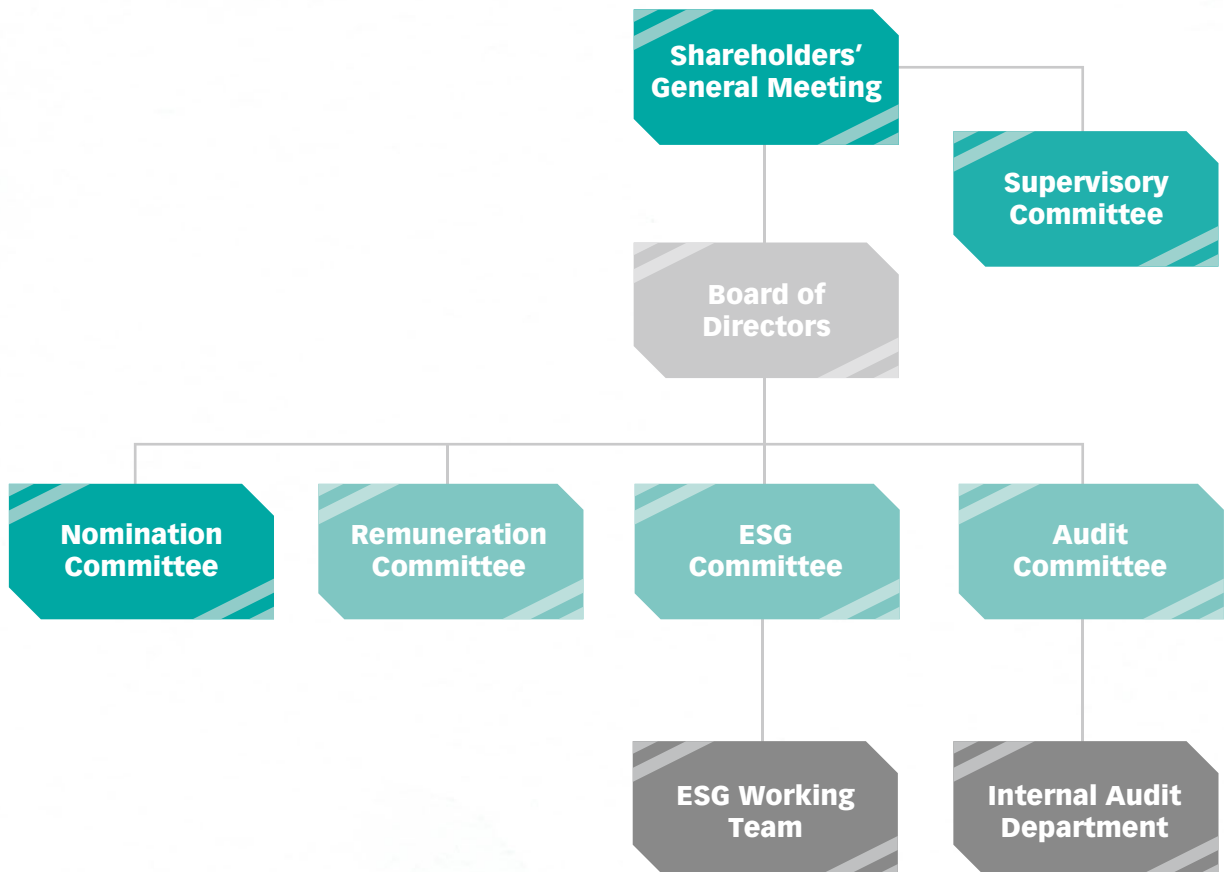
## CORPORATE GOVERNANCE CODE

The Company has adopted the CG Code prescribed in Appendix C1 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2025, the Company has complied with all the code provisions as set out in the CG Code, except for the deviation of provision as mentioned below:

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

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

## CORPORATE GOVERNANCE STRUCTURE



## Corporate Governance Report

Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2025.

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

The Board and the Supervisory Committee have adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the “Model Code”) as its own code of conduct for securities transactions by the Directors and 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 2025. If any related employees possess information which may be considered as sensitive to the Company’s share price and such information is not public, such employee has to comply with the written guidelines, which is as strict as the Model Code.

### **BOARD OF DIRECTORS (THE “DIRECTOR”)**

#### **Duties of the Board of the Company (the “Board”)**

The Board formulates overall strategic plans and key policies of the Group, reviews the Group’s operational and financial performance, reviews and monitors the Group’s financial control and risk management systems, maintains effective oversight over the management, improves and reviews the Group’s policies and practices on corporate governance, and evaluates and manages risk and opportunities (including environmental and social risk and opportunities), while delegating the day-to-day operations of the Company to the executive Directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

The Board has also established an ESG Committee, which is responsible for the follow-up and implementation of the Group’s ESG work, and further strengthens the systematic and standardized management of ESG work. The Board shall formulate the Group’s ESG management policies, strategies, priorities and objectives, ensure that appropriate and effective ESG management and internal control systems are in place, assess and determine the Group’s ESG-related risks and opportunities, and approve the disclosure material in the Group’s ESG report. The ESG working group is responsible for implementing the Board’s policies, objectives and related ESG work, and coordinating the communication and information disclosure with the Group’s ESG stakeholders.

The Board consists of eleven Directors, including a non-executive Director, namely, Mr. Pang Baogen; six executive Directors, namely, Mr. Gao Lin, Mr. Gao Jun, Mr. Jin Jixiang, Mr. Xu Gang, Mr. Wang Rongbiao and Mr. Xia Feng; four independent non-executive Directors, namely, Mr. Li Wangrong, Ms. Liang Jing, Mr. Xiao Jianmu and Mr. Fung Ching, Simon. Each of Mr. Fung Ching, Simon and Mr. Xiao Jianmu, has professional accounting qualifications and possesses rich experience in accounting and financial management. Mr. Li Wangrong has rich experience in law and Ms. Liang Jing has rich experience in project management and audit. The diverse composition of the Board brings the Board different views, and also reflects a balance between effectiveness and independence.

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advices. The Board is of the view that there is a balanced composition of executive, non-executive and

independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the Group and its shareholders. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgment on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct. The Board members have access to timely information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions. Independent professional advice can be sought to discharge their duties at the Group's expense upon their request. No such advice was sought during 2025.

The Directors may have access to the advice and services of the company secretary of the Company with a view to ensuring that the board procedures, and all applicable rules and regulations, are followed. In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Board has adopted the Model Code contained in Appendix C3 to the Listing Rules as its own code of conduct regarding the securities transactions by the Directors. Having made specific enquiries with each Director, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2025.

On 14 June 2024, an appointment letter has been entered into between Mr. Xia Feng and the Company and the term of office of Mr. Xia as executive Director is from 14 June 2024 and is due to expire at the 2025 annual general meeting of the Company whereby Mr. Xia will be eligible for re-election. The other members of the Board had entered into three-year service contracts with the Company respectively. According to the memorandum and articles of association of the Company, all Directors will retire by rotation in every three years at the annual general meeting of the Company, but are eligible for re-election.

Brief biographical details of the Directors are set out on pages 49 to 51 of the annual report.

## **BOARD DIVERSITY**

The Company adopted the Board Diversity Policy with periodical objectives. The nomination committee (the "Nomination Committee") evaluates the balance and blend of skills, experience and diversity of the Board. Selection of candidates will be based on a range of diverse perspectives, including but not limited to age, gender, cultural and educational background, professional and industry experience, skills, knowledge and other qualities essential to the Company's business, and merits and contributions that the selected candidates will bring to the Board. The Company sees that increasing diversity at the Board level would enhance the Board's effectiveness and corporate governance. As at 31 December 2025, the Board consists of eleven Directors, of which one is female.

The remunerations of each of the Directors of the Company are disclosed on an individual basis, details of which are set out in note 40 to the consolidated financial statements.

## Corporate Governance Report

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

	2025 Number of Individuals	2024 Number of individuals
Below RMB650,000	2	2

Since its listing, the Company maintained liability insurance for its Directors, Supervisors and senior management each year.

### BOARD MEETING

The Board held a total of four Board meetings during the year, discussed and approved the 2024 annual report, 2025 interim report, the work report of internal audit department and dividend policy; appointed PricewaterhouseCoopers as the independent auditor of the Company. The attendance of each of the Directors is set out in the table below. The relevant senior management and members of the Supervisory Committee of the Group had all attended the Board meetings held during the year. Directors received the notice of Board meeting at least 14 days before the date on which Board meeting was held and all of the Directors are offered opportunities to suggest any issue for discussion included in meeting agenda. All the minutes of Board meetings are filed and accessible to all Directors at any time.

### ATTENDANCE OF BOARD MEETING IN 2025

Name	Attendance/ Number of Board meetings
<i>Non-executive Director</i>	
Mr. Pang Baogen	4/4
<i>Executive Directors</i>	
Mr. Gao Lin	4/4
Mr. Gao Jun	4/4
Mr. Jin Jixiang	4/4
Mr. Xu Gang	4/4
Mr. Wang Rongbiao	4/4
Mr. Xia Feng	4/4
<i>Independent Non-executive Directors</i>	
Mr. Li Wangrong	4/4
Ms. Liang Jing	4/4
Mr. Xiao Jianmu	4/4
Mr. Fung Ching, Simon	4/4

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company's number of independent non-executive Directors has complied with the Rule of 3.10 and 3.10A of the Listing Rules. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the shareholders.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation annually from each of the independent non-executive Directors in respect of their independence. The Company considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the Listing Rules.

## **DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT**

Each of the Directors participated in continuous professional development in 2025 as required under Code B(i) of the Corporate Governance Code. The Company arranges regular seminars to provide Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The internal and external professionals invited by the Company provided training to all Directors by way of providing presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director.

## Corporate Governance Report

The individual training record of each Director received for the year ended 31 December 2025 is set out below:

Directors	Briefings and updates on the business, operations and corporate governance matters	Attending or participating in seminars/workshops or working in technical committee relevant to the business/directors' duties
<i>Non-executive Director</i>		
Mr. Pang Baogen	✓	✓
<i>Executive Directors</i>		
Mr. Gao Lin	✓	✓
Mr. Gao Jun	✓	✓
Mr. Jin Jixiang	✓	✓
Mr. Xu Gang	✓	✓
Mr. Wang Rongbiao	✓	✓
Mr. Xia Feng	✓	✓
<i>Independent Non-executive Directors</i>		
Mr. Li Wangrong	✓	✓
Ms. Liang Jing	✓	✓
Mr. Xiao Jianmu	✓	✓
Mr. Fung Ching, Simon	✓	✓

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirements and applicable accounting standards. Pursuant to Code Provision D.1.1 of the Corporate Governance Code, management would provide the Board with such sufficient explanations and information to allow the Board to make an informed assessment of the financial and other information put before them for approval. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the year ended 31 December 2025, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and to ensure the Group establish and maintain appropriate and effective risk management and internal control systems on an ongoing basis. Such risks would include, among others, material risks relating to ESG. The Group's risk management and internal control systems aim to manage, but not eliminate, risks of failing to achieve business objectives, and make reasonable, but not absolute, guarantee that there is no material misstatement or loss only.

The Group's risk management and internal control systems comprises, among others, the relevant financial, operational and compliance controls, internal circulation and handling of information. The Group clearly defines the authorizations and responsibilities of the Board, the Audit Committee, the management, the internal audit function and other units to ensure the establishment, implementation and effective assessment of risk management and internal control systems.

## Corporate Governance Report

In order to enhance our risk management and internal control, a guiding team under the leadership of the Board and comprising the Audit Committee, administrative management and external and internal audit teams for risk management and internal control has been established to carry out relevant works. A three-line-defense system for risk management and internal control has been put in place: namely frontline defense in business operation, functional centralised defense in internal control and regulatory departments, and the independent oversight defense in the internal audit department. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time. An internal audit function is established to review and evaluate the Group's risk management and internal control systems and report directly to the Board and members of the audit committee (the "Audit Committee").

Internal monitoring and self-evaluation have been conducted in connection with the three main businesses and four regional areas identified by the Group. Remedies for loopholes and inadequacies as reviewed during internal control and identified in independent audit have been proposed, which are followed up by the risk management department of the Group regularly in order to ensure the relevant remedial actions are performed on a timely basis. Review findings have been reported to the Audit Committee for further follow-up actions.

The Board performs the duty of reviewing the interim and annual results with the Audit Committee, the management of the Group, the internal audit function and external independent auditors in accordance with the protocol, and conducts a review and assessment of the effectiveness of the Group's risk management and internal control systems and procedures at least annually. The internal audit department of the Group carried out independent assessment on the risk management and internal control systems of the Group. The Board believes that the existing risk management and internal control systems are adequate and effective for the year ended 31 December 2025. The Board also reviewed the resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training programs and budget and was satisfied with their adequacy.

The Board with the concurrence of the Audit Committee reviews the risks to the Company and acts upon any comments from the internal audit function and external auditors. Key risks, control measures and management actions are continually identified, reviewed and monitored by the management as part of risk management systems. The management has established a risk identification and management process. The risk assessment report is reported to the Audit Committee and the Board on a regular basis to highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigatory controls supporting the residual risks. The risk management systems of the Group are continually being monitored and refined by the Audit Committee and the Board. The Board has received assurance from the CEO and the management of the Group regarding the effectiveness of the risk management systems of the Group.

## AUDITOR'S REMUNERATION

The remuneration of the auditors in the year 2025 is set out as follows:

	2025		2024	
	Audit fees RMB'000	Other fees RMB'000	Audit fees RMB'000	Other fees RMB'000
PricewaterhouseCoopers	4,123	94	4,160	120

## BOARD COMMITTEES

The Board has established four board committees, namely, Audit Committee, Nomination Committee, Remuneration Committee and ESG Committee to strengthen its functions and corporate governance rules. The Audit Committee, Nomination Committee, Remuneration Committee and ESG Committee perform their specific duties in accordance with their respective written terms of reference.

## AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely, Mr. Xiao Jianmu, Mr. Li Wangrong, and Mr. Fung Ching, Simon, with Mr. Xiao Jianmu as the chairman of the Audit Committee.

The terms of reference of the Audit Committee are formulated in accordance with the Appendix C1 to the Listing Rules and the recommendations in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting procedures and internal audit scheme formulated by the internal audit department of the Company, review the reports submitted by the internal audit department and to ensure that the management has fulfilled its duties and the Group's strategic objectives to maintain an effective risk management and internal control systems. It is also responsible for reviewing affairs related to the appointment, resignation and replacement of independent auditors as well as assessing the auditors' performance and whether their audit fees are reasonable, and providing relevant recommendations

to the Board. The Audit Committee has established a whistle blowing policy and system. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange. The Audit Committee held 2 meetings during the year of 2025.

The major tasks accomplished during the year include:

- reviewing the annual and interim results announcement, reports and financial statements of the Group;
- reviewing and providing recommendations on the accounting policies adopted by the Group and the accounting practice issues;
- monitoring the work of the internal audit department of the Group and reviewing the reports submitted by it;
- advising on the material transactions of the Group and providing recommendations on related risks to management;
- reviewing the audit fees of auditors and recommending the fees for approval by the Board; and
- reviewing the risk management and internal control systems of the Group.

The Audit Committee also met with the external auditor annually in the absence of management to discuss matters relating to any issues arising from audit and any other matters the external auditor may wish to raise.

## ATTENDANCE OF THE MEETING OF THE AUDIT COMMITTEE IN 2025

Name	Attendance/ Number of Audit Committee meetings
Mr. Xiao Jianmu	2/2
Mr. Li Wangrong	2/2
Mr. Fung Ching, Simon	2/2

## REMUNERATION COMMITTEE

The remuneration committee (the “Remuneration Committee”) comprises two independent non-executive Directors, namely, Mr. Li Wangrong and Ms. Liang Jing, and one non-executive Director, namely, Mr. Pang Baogen, with Mr. Li Wangrong as the chairman of the Remuneration Committee.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company’s policy and structure for remuneration of the Directors, Supervisors and senior management of the Company, to review and approve the management’s remuneration recommendation according to the Board’s policy and target, and to take the market forces and comparable industries into consideration when determining the remuneration packages of the Directors, Supervisors and senior management of the Company. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange. The Remuneration Committee held one meeting during the year of 2025.

The major tasks accomplished during the year include:

- reviewing the remuneration policy, the terms of service contracts; and
- assessing the performance of all executive Directors, Supervisors and senior managers.

## ATTENDANCE OF THE MEETING OF THE REMUNERATION COMMITTEE IN 2025

Name	Attendance/ Number of Remuneration Committee meeting
Mr. Li Wangrong	1/1
Ms. Liang Jing	1/1
Mr. Pang Baogen	1/1

## NOMINATION COMMITTEE

The Nomination Committee (the “Nomination Committee”) comprises two independent non-executive Directors, namely, Mr. Li Wangrong and Ms. Liangjing, and one executive Director, namely, Mr. Wang Rongbiao, with Mr. Li Wangrong as the chairman of the Nomination Committee.

The main duties of the Nomination Committee are to review the structure, size and composition of the Board of Directors on a regular basis, to make recommendations to the Board regarding any proposed changes and to identify individuals suitably qualified to become Board members. It is also responsible for assessing the independence of independent non-executive Directors and providing recommendations to the Board of Directors on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors and Supervisors. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange. The Nomination Committee held one meeting in 2025.

The major tasks accomplished during the year include:

- reviewing the structure, number of members and composition of the Board and the Supervisory Committee, and providing the Board with recommendations on any intended change;
- identifying appropriate candidates for the position of Directors and Supervisors, and nominating such persons to be Directors and Supervisors;

- assessing the independence of the independent non-executive Directors; and
- providing recommendations on the plan of the appointment or re-appointment and succession of Directors and Supervisors to the Board.

## ATTENDANCE OF THE MEETING OF THE NOMINATION COMMITTEE IN 2025

Name	Attendance/ Number of Nomination Committee meeting
Mr. Li Wangrong	1/1
Ms. Liang Jing	1/1
Mr. Wang Rongbiao	1/1

The Board adopted a “Procedure and criteria for nomination of Directors”, the details of which are set out below:

### Procedure for nomination of Directors

- When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director);
- Prepare a description of the role and capabilities required for the particular vacancy;

## Corporate Governance Report

- Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors;
- Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of Directors. One or more members of the Board will attend the interview;
- Conduct verification on information provided by the candidate; and
- Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.
- Breadth of knowledge about issues affecting the Company;
- Ability to objectively analyse complex business problems and exercise sound business judgment;
- Ability and willingness to contribute special competencies to Board activities; and
- Fit with the Company's culture.

### Criteria applicable to Independent Non-executive Directors

- Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and committee meetings;
  - Accomplishments of the candidate in his/her field;
  - Outstanding professional and personal reputation; and
  - The candidate's ability to meet the independence criteria for Directors established in the Listing Rules.
- Criteria for nomination of Directors**
- Common criteria for all Directors*
- Character and integrity;
  - The willingness to assume Board fiduciary responsibility;
  - Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs;
  - Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company;
  - Significant business or public experience relevant and beneficial to the Board and the Company;

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (THE "ESG") COMMITTEE

The Environmental, Social and Governance Committee of the Group was established in accordance with the resolution passed by the Board of Directors on 16 June 2023, including one executive Director Mr. Wang Rongbiao and two independent non-executive Directors, namely Mr. Xiao Jianmu and Mr. Fung Ching, Simon, with Mr. Wang Rongbiao as the chairman of the ESG Committee. The ESG Committee has established the ESG Working Team which implements ESG management work comprehensively under the guidance of the ESG Committee.

The primary duties of the ESG Committee are to formulate and review the Group's ESG administrative policies, strategies and structures; review ESG-related policies, regulations and trends, and provide decision-making advice to the Board regarding the Group's ESG strategies and operation, to ensure the Group's compliance with the requirements of applicable laws and regulations. The terms of reference of the Committee have been served on the Company's website and the website of the Stock Exchange. The ESG Committee held one meeting in 2025.

The major tasks accomplished during the year include:

- reviewing the Group's ESG administrative policies and the policies, regulations and trends affecting the Company's ESG management objectives in production and operation;
- reviewing ESG report and reporting to the Board.

## ATTENDANCE OF THE MEETING OF THE ESG COMMITTEE IN 2025

Name	Attendance/ Number of ESG Committee meeting
Mr. Wang Rongbiao	1/1
Mr. Xiao Jianmu	1/1
Mr. Fung Ching, Simon	1/1

## DIRECTORS RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors of the Company acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2025, which were prepared in accordance with statutory requirements and applicable accounting standards. The reporting responsibilities of the external auditors on the financial statements are set out in the Independent Auditor's Report on pages 66 to 174 of the annual report.

### **CORPORATE GOVERNANCE FUNCTIONS**

The Board is responsible for the corporate governance functions, in particular, with the following duties:

- to develop and review the Company's policies and practices on ESG and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to Directors and employees;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

### **COMPANY SECRETARY**

Mr. Chow Chan Lum has been a member of the Institute of Chartered Accountants of Scotland and is also a member of the Hong Kong Institute of Certified Public Accountants, which fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an external employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. During the year, the company secretary confirms that he has attained not less than 15 hours of relevant professional training. Mr. Pang Baogen, Chairman of the Board, is the primary contact person of the company.

## SHAREHOLDERS' MEETING

The shareholders' meeting of the Company not only makes important and key decisions, but also serves as a direct communication platform for its Directors, management and shareholders. In this respect, notice of shareholders' meeting stating the particulars of the matters to be discussed, procedures of voting by poll, shareholders' voting rights, will be circulated to shareholders 20 clear business days before the date of shareholders' meeting according to the Listing Rules. During the period under review, the Group held one annual general meeting, the details as follows:

### ATTENDANCE OF SHAREHOLDERS' MEETING IN 2025

Name	Attendance/ Number of shareholders' meeting
<i>Non-executive Director</i>	
Mr. Pang Baogen	1/1
<i>Executive Directors</i>	
Mr. Gao Lin	1/1
Mr. Gao Jun	1/1
Mr. Jin Jixiang	1/1
Mr. Xu Gang	1/1
Mr. Wang Rongbiao	1/1
Mr. Xia Feng	1/1
<i>Independent Non-executive Directors</i>	
Mr. Li Wangrong	1/1
Ms. Liang Jing	1/1
Mr. Xiao Jianmu	1/1
Mr. Fung Ching, Simon	1/1

## SHAREHOLDERS' RIGHTS

Shareholders' rights are based on certain laws and regulations, such as the Company Law of the PRC, the Hong Kong Companies Ordinance, and the Listing Rules. In accordance with Article 46 of the Articles of Association of the Company, shareholder(s) individually or in aggregate holding 10% or more of shares of the Company are entitled to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall, in accordance with the requirements of laws, administrative regulations and the Articles of Association, reply with a written opinion to state whether it agrees to convene an extraordinary general meeting within 10 days upon receipt of the request.

Where the Board of Directors agrees to convene the extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days after the date of the resolution of the Board of Directors. Any changes made to the original proposal in the notice shall be agreed by the relevant shareholders.

Where the Board of Directors disagrees to convene the extraordinary general meeting, or does not reply within 10 days upon receipt of the proposal, shareholder(s) individually or in aggregate holding 10% or more of the shares of the Company are entitled to request the Supervisory Committee in writing to convene an extraordinary general meeting.

## Corporate Governance Report

Where the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days upon receiving the request. Any changes made to the original proposal in the notice shall be agreed by the relevant shareholders.

If the Supervisory Committee fails to issue a notice of general meeting within the prescribed time limit, it shall be deemed that the Supervisory Committee does not convene and preside over the general meeting, and shareholder(s) holding individually or in aggregate 10% or more of the shares of the Company for 90 or more consecutive days can unilaterally convene and preside over the general meeting.

### **PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR**

Subject to applicable laws and regulations, including the Company Law of the People's Republic of China, the Listing Rules and the articles of association of the Company as amended from time to time, the Company may in general meeting by ordinary resolution elect any person to be a Director of the Company either to fill a casual vacancy or as an additional Director. A shareholder of the Company can deposit a written notice at the correspondence address in Hong Kong of the Company for the attention of the company secretary for proposing a person for election as Director. The written notice must state the full name of the person proposed for election as Director and include such person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and the written notice signed by the candidate proposed to be elected as Director indicating his/her willingness to be elected. The period for lodgment of such a written notice shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting for election of Directors and ending no later than seven days prior to the date of such meeting.

Article 56 of the articles of association of the Company also guaranteed the shareholders' rights to speak at the shareholders' meeting.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the secretary of the Company, may also make enquiries with the Board at the general meetings of the Company.

The correspondence address of the Company in Hong Kong is as follows:

Room 209 Tak Woo House  
17-19 D'Aguiar Street  
Central, Hong Kong

The headquarter address of the Company is as follows:

No.1687 Guazhu East Road, Keqiao District  
Shaoxing City, Zhejiang Province  
The PRC

### **DIVIDEND POLICY**

The Board has approved and adopted a dividend policy on 7 January 2019 (the "Dividend Policy").

It is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors before declaring or recommending any dividends:

- a. financial results;
- b. cash flow situation;
- c. business conditions and strategies;
- d. future operations and earnings;

- e. capital requirements and expenditure plans;
- f. interests of shareholders;
- g. any restrictions on payment of dividends; and
- h. any other factors that the Board may consider relevant.

The shareholders of the Company may not expect any dividends under the following circumstances:

- a. during the growth phase of the Group or during significant expansion or undertaking of any acquisitions or joint ventures requiring higher allocation of capital;
- b. whenever the Company proposes or plans to utilize surplus cash to repurchase the shares of the Company; or
- c. inadequacy of profits or if the Company incurs losses.

The Dividend Policy and the declaration and/or payment of future dividends under it are subject to the Board's continuing determination that the Dividend Policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders, and are in compliance with all applicable laws and regulations and the Company's Memorandum and Articles of Association. The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

## CONTROLS MECHANISM

### Supervisory Committee

The Supervisory Committee is the standing supervisory organisation of the Company, which is responsible for supervising the functions of the Board and its members and the senior management such as the general manager and deputy general managers. The Supervisory Committee comprises three Supervisors, who will serve for a term of three years and are eligible for re-election. The number of members and composition of the Supervisory Committee of the Company comply with the requirements of the relevant laws and regulations.

As at the date of this report, the Supervisory Committee comprises Mr. Sun Yuguang (chairman of the Supervisory Committee), Mr. Kong Xiangquan, and Mr. Wang Jianguo. The Supervisory Committee is accountable to the shareholders meeting and exercises the following authority in accordance with the applicable laws.

- examining the financial statements of the Company;
- supervising the Directors, general manager, deputy general managers and other senior management in the performance of their duties to prevent them from breaching the laws, administrative regulations or the Company's articles of association;
- requiring the Directors, general manager, deputy general managers and other senior management to rectify behaviors which will prejudice the interests of the Company;

## Corporate Governance Report

- verifying the financial information, such as financial reports and profit appropriation proposals, which intended to be submitted to the shareholders' meeting by the Board and appointing certified public accountants and auditors in the name of the Company to assist in re-auditing whenever the committee is in doubt with these information;
- proposing to convene extraordinary general meeting; and
- negotiating with or initiating litigations against Directors on behalf of the Company.

The Supervisory Committee convened two meetings during the year and all of the Supervisors attended the meetings. The Supervisory Committee has also attended the board meetings held in the year of 2025. The Supervisory Committee has also adopted the Model Code in Appendix C3 to the Listing Rules as its own code of conduct regarding the securities transactions by the Supervisors. Having made specific enquiries with each Supervisor, all Supervisors have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2025.

### INTERNAL AUDIT

The Company has established an internal audit department. The internal audit department is independent from the finance department or other management departments. It reports directly to the Board and audit committee. The primary duties of the internal audit department are to monitor and review the effectiveness of the operation of the financial, operational and compliance control as well as risk management systems of the Company and its subsidiaries. During the year, it has reviewed, monitored, and submitted reports on review and approval system for use of capital, financial budgeting system, system governing signing of contracts and bidding budget; and final settlement and control system according to the internal audit plans. It has also submitted interim report and annual report to the Audit Committee for review.

# INVESTOR RELATIONS

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believed that it's very important to disclose accurate information timely and effectively for building market confidence, so the Company maintained good relations and communication with investors actively. To enable Shareholders and other stakeholders to exercise their rights in an informed manner based on a full understanding of the Group's operations, business, and financial information, the Company has approved and adopted a Shareholders' communication policy aimed at ensuring that Shareholders and other stakeholders as a whole can receive important information about the Group in a timely, equal, regular, and prompt manner (the "Shareholders' Communication Policy"). The policy includes various channels to ensure effective and efficient communication with Shareholders and other stakeholders, including but not limited to financial results announcements, responding to Shareholder inquiries, corporate communications, posting relevant materials on the Company website, Shareholder meetings, and communication with the investment market. To communicate with Shareholders on matters affecting the Company and to hear and understand their views, the Company has adopted multiple mechanisms, including encouraging Shareholders to attend Shareholder meetings or appointing representatives to attend and vote at meetings if they cannot attend, and making appropriate arrangements for annual general meetings to encourage and facilitate Shareholder participation. The Company has investor relations department, endeavoring to interact with its shareholders, investors, analysts, investment banks and financial medias, to strengthen communication and exchange between the Company and Shareholder and potential investors. In addition, the Company's website ([www.baoyegroup.com](http://www.baoyegroup.com)) serves as a designated platform for publishing the Company's announcements, news releases, and other corporate communications for Shareholder reference.

During the year ended 31 December 2025, the Board reviewed the Shareholders' Communication Policy. Having considered the multiple channels of communication and engagements in place, the Board is satisfied that the Shareholders' Communication Policy has been properly put in place and effectively implemented.

## SUBSTANTIAL SHAREHOLDERS OF H SHARES

As at 31 December 2025, so far as was known to the Directors, the following persons, other than Directors, Supervisors and senior management of the Company, have an interest in the shares of the Company as recorded in the register required to be kept under the Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Number of H Shares of the Company Held (Long Position)	Approximate Percentage of the Total Issued H Shares of the Company	Approximate Percentage of the Total Registered Share Capital of the Company
Wu Xueqin	29,304,000	17.25%	5.63%
Zhu Yicai (Note 1)	29,304,000	17.25%	5.63%

1. Mr. Zhu Yicai, the spouse of Ms. Wu Xueqin, is deemed to be interested in 29,304,000 H Shares.

## Investor Relations

References were made to the disclosures of interests made on the Stock Exchange's website on 29 May 2017. Pursuant to Section 336 of the SFO, the Shareholders are required to file disclosure of interests forms when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Stock Exchange unless a specific threshold is passed, therefore a substantial Shareholder's latest shareholding in the Company may be different from the shareholding filed with the Company and the Stock Exchange.

### IMPORTANT FINANCIAL DATES

Events	Date
Issued Interim Results Announcement of 2025	On 29 August 2025
Issued Annual Results Announcement of 2025	On 27 March 2026
Closure of register of member of the Company	On 18 May 2026 to 18 June 2026 (both days inclusive)
Annual General Meeting of 2025	On 18 June 2026

The annual general meeting of the Company ("AGM") was held at 2nd Floor, Baoye Group, No.1687 Guazhu East Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC on 13 June 2025. All the resolutions were passed by the shareholders in voting. For details of the resolutions and results, please refer to the results of AGM on 13 June 2025. All the Directors attended this AGM.

### ARTICLES OF ASSOCIATION

On 13 June 2025, the Company convened the 2024 annual general meeting, to approve the amendments to the Articles of Association by way of a special resolution. The major amendments were made in view of the following reasons:

According to the Company Law which was amended in 2023 and took effect on 1 July 2024, and after taking into consideration the actual situation and the practice of corporate governance of the Company, the Company has correspondingly amended certain provisions of the Articles of Association to, among other things, reflect the amendments of the Company Law, enhance the corporate governance of the Company and improve the management of operations. An updated consolidated version of the new Articles of Association of the Company is available on the websites of the Company and the Stock Exchange.

Save as disclosed above, there was no other changes in the Articles of Association of the Company.

# BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS

### Non-executive Directors

**Mr. Pang Baogen**, born in 1957, is the founder, a non-executive Director of the Company and the chairman of the Board. Mr. Pang is an expert who has the special award of the State Council and is a member of the expert committee for the China Construction Reform and Development under the Ministry of Housing and Urban-Rural Development of the People's Republic of China. He holds senior engineer qualification. He is well respected and recognised in the construction industry in China and has received awards including Model Worker of National Construction System, "Energy Conservation & Emission Reduction Scientific Achievement Award" by the China Energy Conservation Association under the National Development and Reform Commission, Advanced Individual of National Sustainable Communities, Outstanding Entrepreneur in Zhejiang Province, Youth Scientific and Technical Worker with Outstanding Contributions to Zhejiang Province, Entrepreneur with Outstanding Contributions to the Construction Industry in Zhejiang Province in the "Eleventh Five-year" Period, Award of Commercialization of Science in Zhejiang Province as well as Zhejiang Charity Award and Zhejiang Charity Star. Mr. Pang has extensive experience in the construction technology field and of enterprise management. He actively promotes independent innovation, and takes on national topics such as "risk-prevention in big projects", "transforming the construction industry with information technology" and "the system research of one-hundred-year construction in China" and the "Analysis of Comprehensive Efficiency of Housing Industrialization". At the same time, he guides the Group in undergoing various revolutions in management controls and operation mechanism. He also explores and executes the "three-in-one" business model and the contractual management model. Besides, Mr. Pang is a member of the 11th Zhejiang Provincial Party Committee, a member of the 11th, 12th and 13th Zhejiang Provincial People's Congress, and concurrently serves as the vice-chairman of the 8th and 9th China Construction Companies Management Committee, the vice-chairman of China Construction Energy Conservation Association, the vice-chairman of the Zhejiang Agricultural Technology Promotion Foundation, and the dean of the National Construction Engineering Technology Research Center and Institute of Construction and Housing Industrialization, the director of Engineering Research Center of Building Energy Conservation Technology of Zhejiang Province.

### Executive Directors

**Mr. Gao Lin**, born in 1970, is an executive Director and the director of the operation management committee of the Company, and the Party Secretary and general manager of Baoye Hubei Construction Group Company Limited. Mr. Gao holds bachelor degree and senior engineer qualification. He is also a senior professional manager of the construction industry in China. He was awarded a celebrity in the national important infrastructure construction, a celebrity of the 9th Hubei Economic Year, the National Excellent Construction Entrepreneur, the National Outstanding Entrepreneur, apprentice of Luban, the Top 10 Outstanding Entrepreneurs of Construction Industry in Zhejiang Province, Outstanding Entrepreneur in Hubei Province, Outstanding builder of socialism with Chinese characteristics in Hubei Province, Model Worker of Hubei Province, Outstanding businessman in Hubei Province, "May Fourth Medal" of Outstanding Youth in Hubei Province, Top 10 Pacesetters of targeted poverty alleviation campaign of Hubei Province, Outstanding Contributor in response to Hubei's epidemic, Advanced Individual of poverty alleviation in Hubei Province, Outstanding Communist Party Member of Wuhan City, Leading Industrial Talent of Wuhan Talent Program, Outstanding Party Secretary in Emerging Fields of Wuhan City, and Talent for Economic Development of Shaoxing City, Model Worker of Shaoxing City. He is currently the vice chairman of the Federation of Industry and Commerce in Hubei Province, observer for optimizing business environment in Hubei Province, the first social supervisor of administrative law enforcement in Hubei Province, the vice chairman of the Hubei Enterprises Union and Chushang Federation of Hubei Province, vice chairman of Construction Industry Association in Hubei Province and Wuhan City, Member of the 13th Committee of the CPPCC of Hubei Province, and representative of the 15th People's Representative Congress of Wuhan City. He joined the Group in 1987.

## Biographical Details of Directors, Supervisors and Senior Management

**Mr. Gao Jun**, born in 1972, is an executive Director and a member of the operation management committee of the Company, and the general manager of Baoye Group Anhui Company Limited. Mr. Gao graduated from the China University of Geosciences, majoring in civil engineering, and holds senior engineer qualification. Mr. Gao is currently the vice chairman of Anhui Industry and Commerce Federation, a representative of the 17th People's Representative Congress of Hefei City, the chairman of Zhejiang Enterprises Union in Anhui. Mr. Gao was awarded the Model Worker of Anhui province. He joined the Group in 1989.

**Mr. Jin Jixiang**, born in 1967, is an executive Director and a member of the operation management committee of the Company, and the chairman of Zhejiang Baoye Construction Group Company Limited. Mr. Jin graduated from the China University of Geosciences, majoring in civil engineering and holds senior engineer qualification. Mr. Jin is currently the chairman of Shaoxing Construction Association, the chairman of Shaoxing Keqiao Construction Association, a member of the Chinese People's Political Consultative Conference in Keqiao and a representative of People's Congress of Yangxunqiao Town. He was awarded Model Worker of National Housing and Urban-Rural Development System, the National Excellent Construction Decoration Entrepreneur, National Excellent Construction Entrepreneur, Advanced Worker in National Construction Industry, Senior Professional Manager of the Construction Industry in China, Outstanding Entrepreneur in Zhejiang Province, Top 10 Outstanding Entrepreneurs of Construction in Zhejiang, Model Worker of Shaoxing City and Talent with great contribution to the development of Shaoxing City. He has participated in the "5.12" Wenchuan Earthquake Relief Assistance and Construction Work in 2008 and was honored with the Third Class Merit. Mr. Jin joined the Group in 1985.

**Mr. Xu Gang**, born in 1976, is an executive Director and Deputy General Manager of the Company and a general manager of Zhejiang Baoye Construction Group Company Limited. Mr. Xu graduated from the China University of Geosciences, majoring in civil engineering, and holds a First Grade Registered Architect and senior engineer qualification. Mr. Xu is the model worker of Keqiao District. Mr. Xu was awarded the Top 10 Young Entrepreneurs of Construction Industry in Zhejiang, Model Worker of the Construction Industry in Shaoxing City, the Outstanding Entrepreneurs of Construction Industry in Suzhou City. Mr. Xu joined the Group in 1998.

**Mr. Wang Rongbiao**, born in 1968, is an executive Director and the chairman and the general manager of Zhejiang Baoye Building Materials Industrialisation Company Limited. Mr. Wang graduated from Wuhan University of Technology, majoring in civil engineering, and holds a senior engineer qualification. Mr. Wang joined the Group in 1986.

**Mr. Xia Feng**, born in 1977, is an executive Director of the Company, holds an undergraduate degree and senior engineer qualification, majoring in construction. Mr. Xia is currently the general manager of Shanghai Yangtze River Delta Baoye Urban Construction Development Co., Ltd, (a wholly-owned subsidiary of the Company), and director of Shanghai Jianke Consulting Group Company Limited\* which is listed on the main board of Shanghai Stock Exchange (stock code: 603153.SH). Mr. Xia served for Shaoxing County Planning and Construction Bureau\* and joined the Group in 2002. Mr. Xia is devoted to the property development, research and development of prefabricated and low-carbon energy saving construction to realise the upgrade of traditional construction industry.

## Biographical Details of Directors, Supervisors and Senior Management

### Independent Non-executive Directors

**Mr. Li Wangrong**, born in 1963, is an independent non-executive Director, Chairman of remuneration committee and nomination committee, and a member of audit committee of the Company. Mr. Li graduated from the Law School of Zhejiang University and holds a master degree. Mr. Li is currently the director of the Development and Strategy Committee of Zhejiang Dagong & Partners, the first-grade solicitor and the independent non-executive director of United Nova Technology Company Limited, listed on the STAR Market of Shanghai Stock Exchange (stock code: 688469.SH). He served as the independent non-executive director of Zhejiang Yuejian Intelligent Equipment Company Limited (a company listed on the main board of Shanghai Stock Exchange, stock code: 603095.SH) from October 2017 to November 2023. Mr. Li has rich experience in arbitration, property development, contract law, civil and commercial cases.

**Ms. Liang Jing**, born in 1953, is an independent non-executive Director and a member of remuneration committee and nomination committee of the Company. Ms. Liang graduated from Jiangxi Metallurgy College, majoring in mechanical engineering and holds senior level engineer qualification. Ms. Liang worked for Shaoxing Lizhu Iron Mining Company, Shaoxing Property Development Company and Shaoxing Tianying Tax Agent Company. Ms. Liang has retired from her profession.

**Mr. Xiao Jianmu**, born in 1967, is an independent non-executive Director, Chairman of audit committee and a member of ESG committee of the Company. Mr. Xiao graduated from Zhejiang Forestry College, holds the qualifications of economist, Certified Public Accountant, Tax Agent, Public Asset Valuer, and Real Estate Appraiser, and was awarded Zhejiang Excellent Certified Public Accountant. Mr. Xiao served in Shaoxing Huaxia Company and Shaoxing Gongxiao Company Limited. Mr. Xiao is now the vice director of Zhejiang Zhongxing Accountants (LLP).

**Mr. Fung Ching, Simon**, born in 1969, is an independent non-executive Director, a member of audit committee and ESG committee of the Company and is currently the chief financial officer of Chow Tai Fook Enterprises Limited. He is also the independent non-executive director of Hainan Meilan International Airport Company Limited (stock code: 00357.HK), China Medical System Holdings Limited (stock code: 00867.HK). Both companies are listed on the main board of the Hong Kong Stock Exchange. Mr. Fung graduated from the Queensland University of Technology in Australia with a Bachelor's degree, majoring in accountancy. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the CPA Australia, and was appointed as a council member and vice-president of Hong Kong Business Accountants Association in 22 January 2026. Mr. Fung served as the independent non-executive director of China Logistics Property Holdings Co., Ltd (a company listed on the main board of HKEx, stock code: 01589.HK) from June 2016 to February 2022, and served as the chief financial officer of Logan Group Company Limited (a company listed on the main board of HKEx, stock code: 03380.HK) from January 2020 to March 2021, and served as the chief financial officer and company secretary of Greentown China Holdings Limited (a company listed on the main board of HKEx, stock code: 03900.HK) from 2010 to 2019, and served as the chief financial officer and secretary to the Board of Directors of Baoye Group from 2004 to 2010. He worked for PricewaterhouseCoopers from 1994 to 2004. Mr. Fung has about 20 years of experience in managing finance and accounting functions, mergers and acquisitions, fund raising and investor relations for various listed companies in Hong Kong.

## Biographical Details of Directors, Supervisors and Senior Management

### SUPERVISORS

**Mr. Sun Yuguang**, born in 1978, graduated from Chongqing University, majoring in urban planning, holds the national certified urban planning master and senior engineer qualifications. Mr. Sun is currently the Vice-chairman of China Real Estate Association and chairman of Zhejiang Baoye Real Estate Group Company Limited, the deputy Secretary of the Party Committee, Deputy General Manager, Member of the operation management committee, Chairman of the Supervisory Committee, and Chairman of the Federation of Trade Unions of Baoye Group Company Limited, the chairman of Shaoxing Baoye Four Seasons Garden Property Company Limited, a member of the People's Congress of Yuecheng District, Shaoxing City, Chairman of the Yangxunqiao Subdistrict High-Quality Development Association, Vice Chairman of the Keqiao District Federation of Trade Unions, Visiting Professor of Zhejiang Construction Industry Modernization Shaoxing Industrial College, member of the Shaoxing Housing Provident Fund Management Committee, and member of the first committee of the Residential Building Professional Committee of the China Architecture Society. Mr. Sun joined the Company in 2007.

**Mr. Kong Xiangquan**, born in 1958, a qualified senior engineer, a supervisor of the Company, was the general manager of the Zhejiang Baoye Communications Construction Company Limited. He joined the Group in 1975 and has retired from his position.

**Mr. Wang Jianguo**, born in 1966, holds a senior engineer qualification, is currently a supervisor of the Company and the chairman and general manager of Zhejiang Baoye Curtain Wall Decoration Company Limited. He is also a deputy director and member of the curtain wall committee of China Construction Decoration Association and vice chairman of Zhejiang Construction Decoration Association. He was awarded the National Outstanding Entrepreneur of Construction Decoration Industry. Mr. Wang joined the Group in 1986.

### SENIOR MANAGEMENT

**Mr. Pang Weixiang**, born in 1983, graduated from Zhejiang Gongshang University, majoring in law, holds the qualifications of senior engineer and senior economist. Mr. Pang is the general manager and a member of the operation management committee of the Company, as well as a member of the 13th Committee of the CPPCC of Zhejiang Province, and has received the Outstanding Contribution Award for High-quality Development of Shaoxing City. Mr. Pang joined the Group in 2006 and has successively worked and assumed key management positions in various departments such as market expansion, cost control, and investment decision-making of the Group's three business segments, including construction, property development and construction industrialisation. Mr. Pang Weixiang is the son of Mr. Pang Baogen, the founder, a non-executive Director, and the Chairman of the Board of the Company.

**Mr. Lou Zhonghua**, born in 1968, is a member of the operation management committee of the Company. Mr. Lou graduated from the China University of Geosciences, majoring in civil engineering and holds a senior engineer qualification. Mr. Lou joined the Group in 1986.

# DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December 2025.

## PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of construction service, development and sale of properties and manufacture and distribution of industrialised building materials. The activities of the Company's principal subsidiaries are set out in note 10 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## BUSINESS REVIEW

The business review of the Group for the year is set out in the sections of Financial Highlight, Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report 2025 which will be published on the same date, and the paragraphs below.

## FINANCIAL POSITIONS AND RESULTS

The financial positions of the Group and the Company as at 31 December 2025 are set out in the balance sheets of the consolidated financial statements prepared in accordance with HKFRS on pages 75 to 76.

The results of the Group for the year ended 31 December 2025 prepared in accordance with HKFRS are set out in the consolidated income statement on page 77.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6 of the annual report.

## OTHER RESERVES

Details of movements in other reserves of the Group and the Company during the year are set out in the note 21 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

According to the relevant laws and regulations in the PRC, the retained earnings of the Company available for distribution to the equity holders amounted to RMB1,237,044,000 as at 31 December 2025 (2024: RMB1,300,880,000).

## DIVIDENDS

At the board meeting held on 27 March 2026, the Board proposed a final dividend of RMB0.085 (2024: RMB0.12) per ordinary share for the year ended 31 December 2025.

### TAXATION AND TAX RELIEF

#### 1. Unlisted Shareholders

In accordance with the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China and the Individual Income Tax Law of the People's Republic of China and its implementation rules, for individual Unlisted Shareholders, the Company will withhold and pay the individual income tax at the rate of 20% according to the national tax law.

#### 2. H Shareholders

##### *Corporate H Shareholders*

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its implementation rules and the relevant regulations, the Company has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the H Share register in the distribution of final dividend for 2024. Any H Shares registered in the name of non-individual Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organisations and groups, will be treated as Shares held by non-resident enterprise Shareholders, and the dividends to be received will be subject to withholding of enterprise income tax. Upon receipt of the dividends, a non-resident enterprise Shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties/arrangements in person or through a proxy or a withholding agent by providing evidence in support of its status as a beneficial owner that complies with the requirement of the relevant tax treaties/arrangements. Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties/arrangements will be refunded.

##### *Individual H Shareholders*

According to the Individual Income Tax Law of the People's Republic of China and its implementation rules, the Notice on Issues Relating to Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (SAT Announcement [2019] No. 35) (《非居民納稅人享受協定待遇管理辦法》(國家稅務總局公告2019年第35號)) (the "Tax Convention Announcement"), the Company has responsibility to withhold and pay individual income tax on behalf of H Shareholders who is an individual in the distribution of final dividend for 2024. However, Individual H Shareholders are entitled to the relevant favourable tax treatments pursuant to the provisions of the tax treaties between the countries (regions) in which they are domiciled and the PRC or the tax arrangements between the PRC and Hong Kong or Macau. Therefore, the Company will withhold and pay individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into tax treaty with the PRC with a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;

- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into tax treaty with the PRC with a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified Shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Company's H Share registrar, Tricolor Investor Services Limited. The Company will then submit the above documents to competent tax authorities and, after their examination and approval, the Company will assist in refunding the excess amount of tax withheld and paid;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into tax treaty with the PRC with a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;
- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or other circumstances, the Company will withhold and pay the individual income tax at the rate of 20% in the distribution of final dividend.

## SEGMENT INFORMATION

The Group is principally engaged in the following three main operation segments:

- Construction – provision of construction service
- Property development – development and sale of properties
- Building materials – manufacture and distribution of industrialised building materials

The segment information for the year ended 31 December 2025 is set out in note 5 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's aggregate revenue and purchases respectively.

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, own more than 5% interests of the Group's share capital) had any interest in the above major suppliers or customers.

## Directors' Report

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in Property, plant and equipment of the Group during the year are set out in note 6 to the consolidated financial statements.

### CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions a total of approximately RMB1,071,000 (2024: RMB11,594,000).

### BORROWINGS

As at 31 December 2025, details of borrowings of the Group are set in the note 24 to the consolidated financial statements.

### DIRECTORS AND SUPERVISORS

The Directors and Supervisors of the Company for 2025 are as follows:

#### Directors

*Non-executive Director*

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

*Executive Directors*

Mr. Gao Lin

Mr. Gao Jun

Mr. Jin Jixiang

Mr. Xu Gang

Mr. Wang Rongbiao

Mr. Xia Feng

*Independent Non-executive Directors*

Mr. Li Wangrong

Ms. Liang Jing

Mr. Xiao Jianmu

Mr. Fung Ching, Simon

#### Supervisors

Mr. Sun Yuguang (*Chairman of the Supervisory Committee*)

Mr. Kong Xiangquan

Mr. Wang Jianguo

### CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the year, there was no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules regarding to changes in information of Directors, Supervisors and senior management.

## **BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

Brief biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 49 to 52 of the annual report.

## **REMUNERATION OF DIRECTORS**

The remuneration of the Directors of the Company is disclosed on an individual named basis in note 40 to the consolidated financial statements.

## **HIGHEST PAID INDIVIDUALS**

During the year, details of the remuneration of the Directors, supervisors and chief executive, together with those of the five highest paid individuals (all of them are Directors of the company) of the Group are set out in note 40 to the consolidated financial statements of the Group.

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Board has obtained written confirmations from all independent non-executive Directors concerning their independence in accordance with Rule 3.13 of the Listing Rules. The Board is in the opinion that the existing independent non-executive Directors are independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

## **INDEMNITY OF DIRECTORS**

The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year.

## **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

At the 2022 annual general meeting held on 16 June 2023, all appointed Directors and Supervisors signed their respective new service contracts or appointment letters with the Company, the term of which will expire at the conclusion of the annual general meeting of 2025 of the Company. The Company has not signed any service contract, with any Director or Supervisor, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## **EQUITY-LINKED AGREEMENTS**

For the year ended 31 December 2025, the Company did not enter into any equity-linked agreement.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2025.

## INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

At the end of the reporting period, the interests and short positions of Directors, Supervisors, chief executive and senior management of the Company and any of the associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO"), which are required to be (i) notified to the Company and HKEX pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and HKEX pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

Directors/Supervisors/ Senior Management	Relevant Entity	Capacity	Number of Unlisted Shares (Long position)	Number of H Shares (Long position)	Approximate Percentage of the Total Registered Capital of the Relevant Entity
<b>Directors</b>					
Mr. Pang Baogen	The Company	Individual	193,753,054	–	37.22%
Mr. Gao Lin	The Company	Individual	9,544,775	–	1.83%
Mr. Gao Jun	The Company	Individual	5,794,259	–	1.11%
Mr. Jin Jixiang	The Company	Individual	2,440,527	–	0.47%
Mr. Xu Gang	The Company	Individual	18,407,116	–	3.54%
Mr. Wang Rongbiao	The Company	Individual	2,638,026	–	0.51%
Mr. Xia Feng	The Company	Individual	18,918,851	–	3.63%
<b>Supervisors</b>					
Mr. Wang Jianguo	The Company	Individual	5,250,290	–	1.01%
Mr. Wang Jianguo	Zhejiang Baoye Curtain Wall Decoration Company Limited	Individual	42,700,001	–	16.94%
<b>Senior Management</b>					
Mr. Lou Zhonghua	The Company	Individual	4,533,172	–	0.87%

## DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which the Directors or the Supervisors of the Company have material interests, whether directly or indirectly, subsisted at any time during the year (excluding Directors' and Supervisors' service contracts mentioned above).

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year did the Company or any its subsidiaries make any arrangement to enable the Directors, the Supervisors and their respective spouses or children under 18 years of age to benefit from acquisition of the shares, or debentures of the Company or any other corporation.

## INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group under the Listing Rules.

## DETAILS OF SHARE OFFERING AND PLACING

	Initial Public Offering	The 1st placement of H shares	The 2nd placement of H shares	The 3rd placement of H shares
Class of shares listed	H share	H share	H share	H share
Listing place	Main Board of HKEX	Main Board of HKEX	Main Board of HKEX	Main Board of HKEX
Offering/placing price	HK\$1.43 per H share	HK\$4.05 per H share	HK\$4.85 per H share	HK\$10.88 per H share
Listing date	30 June 2003	21 January 2005	14 December 2005	2 February 2007
Number of issued H shares	180,684,000	36,136,800	43,364,160	52,036,992

## FUNDS RAISED AND DIVIDEND

Year	Funds Raised (HKD)	Dividend (RMB/share)	Total Dividend (RMB)	Full-Year Earnings (RMB)	Approximate Percentage of Full-Year Earnings (%)
2003	258,370,000	0.0635	33,746,000	112,409,000	30%
2004	/	0.1436	81,502,000	275,082,000	30%
2005	356,660,000	0.12	73,311,000	304,226,000	24%
2006	/	0.07	46,407,000	474,032,000	10%
2007	566,160,000	0.07	46,407,000	225,795,000	21%
2008	/	0.08	53,037,000	150,044,000	35%
2009	/	0.13	86,185,000	502,239,000	17%
2010	/	0.16	106,074,240	527,875,000	20%
2011	/	0.21	139,222,000	710,196,000	20%
2012	/	0.21	139,222,000	752,256,000	18.5%
2013	/	0.10	66,296,401	663,312,000	10%
2014	/	0.10	63,174,401	648,702,000	9.7%
2015	/	0.10	61,237,053	563,655,000	10.9%
2016	/	/	/	526,933,000	/
2017	/	/	/	608,895,000	/
2018	/	/	/	874,175,000	/
2019	/	/	/	856,691,000	/
2020	/	/	/	794,084,000	/
2021	/	/	/	788,477,000	/
2022	/	/	/	704,777,000	/
2023	/	/	/	889,256,000	/
2024	/	0.12	62,475,366	409,907,000	15.2%
2025	/	0.085	44,253,385	289,644,000	15.3%
<b>Total</b>	<b>1,181,190,000</b>		<b>1,102,549,846</b>		

## SHARE CAPITAL

As at 31 December 2025, there was a total share capital of 520,628,053 shares of the Company in issue, which includes:

	Number of shares	Approximate percentage of total share capital
Unlisted Shares	350,742,053	67.4%
H Shares	169,886,000	32.6%
Total	520,628,053	100%

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

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## CONNECTED TRANSACTIONS

During the year of 2025, the Group had no connected transaction that would require disclosure under the Listing Rules.

## CONTINGENT LIABILITIES

As at 31 December 2025, neither the Company nor the Group had any significant contingent liabilities.

## EXPLANATION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR RECTIFICATION OF SIGNIFICANT ACCOUNTING ERRORS

During the year, changes in accounting policies of the Company were set out in Note 2 to the financial statement, and there were no changes in accounting estimates or correction of significant accounting errors.

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

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

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the articles of association of the Company and related laws of Hong Kong and the PRC, which would oblige the Company to offer new shares on pro-rata basis to the existing shareholders of the Company.

### **LITIGATION AND ARBITRATION**

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

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

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

### **HUMAN RESOURCES**

As at 31 December 2025, the Group had a total of 5,823 permanent employees (as at 31 December 2024: 6,172). Also, there were approximately 51,075 indirectly employed construction site workers (as at 31 December 2024: 61,695). These workers were not directly employed by the Group. For the year ended 31 December 2025, the total employee benefit expenses amounted to approximately RMB3,802,738,000. Employee benefit expenses include salaries, insurance and other benefits. Remuneration is determined by reference to market terms as well as the performance, qualification and experience of the individual employee. The Group is subject to social insurance contribution plans organised by the PRC local government. In accordance with relevant national and local labor and social welfare laws and regulations, employee benefits provided by the Group include pension and medical insurance coverage, injury insurance, maternity insurance, unemployment insurance and housing provident fund. The Group highly values human resources management, and is devoted to establishing a high-quality team to support its long-term business development. The Board is continuously working on devising, revising and implementing a more effective employee incentive plan and training plan to encourage superior performance of employees to fit into the Group's long-term development plan.

As at 31 December 2025, the gender ratio for the Group's employees was approximately 69.44% male and approximately 30.56% female. The Company has implemented a fair employment policy, and the recruitment has been merit-based without any discrimination. The Group will continue to strive for increasing the proportion of female workers, with reference to the Shareholders' expectations and the recommended best management practice, to achieve an appropriate balance in gender diversity. Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report 2025.

## CODE ON CORPORATE GOVERNANCE PRACTICES AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has complied with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules during the year of 2025 except for the vacancy of the chief executive officer. For further details, please refer to the Corporate Governance Report as set out in this annual report.

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

According to the Listing Rules, an issuer must disclose Environmental, Social and Governance ("ESG") information on an annual basis. The board is responsible for evaluating and determining the issuer's ESG-related risks and has overall responsibility for the report. In April 2026, the "Environmental, Social and Governance Report 2025" will be published at the websites of the Stock Exchange of Hong Kong Limited and the Company respectively.

## AUDITORS

The re-appointment of PricewaterhouseCoopers (the "PwC Hong Kong") as the Company's international auditor and the re-appointment of PricewaterhouseCoopers Zhongtian LLP (the "PwC ZT") as the Company's PRC statutory auditor were approved at the annual general meeting held on 13 June 2025.

The Company will propose two resolutions at the coming annual general meeting to re-appoint the PwC Hong Kong as the Company's international auditor and to re-appoint the PwC ZT as the Company's PRC statutory auditor.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 May 2026 to 18 June 2026, 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 Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for holders of H Shares), or to the Company's office address at No.1687 Guazhu East Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Unlisted Shares) no later than 4:30 p.m. on 15 May 2026.

## Directors' Report

The register of members of the Company will be closed from 29 June 2026 to 3 July 2026, both dates inclusive, during which period no share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholder's approval 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 Investor Services Limited, at 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong (for holders of H Shares) or to the Company's office address of No. 1687 Guazhu East Road, Keqiao District, Shaoxing City, Zhejiang Province, the PRC (Post Code: 312030) (for holders of Unlisted Shares) no later than 4:30 p.m. on 26 June 2026.

### APPRECIATION

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

By Order of the Board

**Baoye Group Company Limited**

**Pang Baogen**

*Chairman*

Zhejiang, the PRC

27 March 2026

# SUPERVISORS' REPORT

To the Shareholders,

In the year 2025, the Supervisory Committee of Baoye Group Company Limited (the "Supervisory Committee"), in compliance with the provision of the Company Law, the Listing Rules and the articles of association of the Company, under their fiduciary duties, took an active role to work reasonably and cautiously to protect the interests of the Company and its shareholders.

During the year, the Supervisory Committee attended all the Board meetings and the annual general meeting of the Company. It provided reasonable suggestions and opinions to the Board in respect of the operations and development plans of the Company. It also strictly and effectively monitored and supervised the management of the Company, to ensure that it was in compliance with the PRC laws and the articles of association of the Company, and in the interests of shareholders and employees when making significant policies and decisions.

We have reviewed and agreed to the Directors' report, audited consolidated financial statements to be proposed by the Board for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors and other senior management of the Company had during the year strictly observed their fiduciary duties, acted diligently and exercised their authorities faithfully in the best interests of the Company and the shareholders as a whole. None of the Directors and members of the senior management had been found to have abused their authorities, damaged the interests of the Company and infringed upon the interests of shareholders and employees of the Company.

The Supervisory Committee is satisfied with the achieved operating results and cost-effectiveness of the Company in 2025 and has great confidence in the future of the Company.

Finally, I, on behalf of the Supervisory Committee, would like to thank all shareholders and staff of the Company for their support and patronage for the Supervisory Committee.

By Order of the Supervisory Committee

**Baoye Group Company Limited**

**Sun Yuguang**

*Chairman*

Zhejiang, the PRC

27 March 2026

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**To the shareholders of Baoye Group Company Limited**  
*(incorporated in the People's Republic of China with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Baoye Group Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 75 to 174, comprise:

- the consolidated balance sheet as at 31 December 2025;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

### **Our opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from provision of construction services
- Expected credit losses on trade receivables and contract assets
- Assessment of net realisable value of properties under development and completed properties held for sale

## Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Recognition of revenue from provision of construction services</b>	
<p>Refer to Note 5(c)(i) "Revenue from contracts with customers", Note 4(a) "Revenue recognition for provision of construction services" and Note 5 "Segment information" to the consolidated financial statements.</p>	<p>We have performed the following procedures to address this key audit matter:</p>
<p>Revenue from the provision of construction services for the year ended 31 December 2025 amounted to RMB11,852,095,000 representing approximately 59% of the Group's total revenue.</p>	<p>(i) Understood, evaluated and validated the key internal controls over the recognition of revenue from provision of construction services and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including complexity and subjectivity.</p>
<p>The Group recognises revenue from the provision of construction services over time by reference to the progress towards complete satisfaction of performance obligation and measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of estimated total costs for each construction contract, which required significant management's judgment.</p>	<p>(ii) Discussed with management about the progress, assumptions adopted in estimated total costs, variance between the actual final costs and the estimated total costs for contracts completed during the year to assess the reliability of management's estimation.</p>
<p>We focus on this area due to the magnitude of the revenue recognised from the provision of construction services, as well as significant judgments applied by management in determining the revenue amount and the estimated total costs of the construction contracts.</p>	<p>(iii) Tested the supporting documents of estimated total costs, on a sample basis, which include sub-contracting contracts, material purchase contracts, etc.</p>
	<p>(iv) Tested the actual costs incurred in relation to construction contracts, on a sample basis, by tracing to the supporting documents, such as invoices received from suppliers.</p>
	<p>(v) Checked the contract price to original construction contracts and, if applicable, variation orders.</p>
	<p>(vi) Checked the calculation of the revenue and profit recognised from construction contracts, on a sample basis.</p>
	<p>(vii) Performed analytical procedures on the gross margins of material construction contracts.</p>
	<p>We found that the significant judgment applied by management in determining the revenue amount and the estimated total costs of the construction contracts were supported by evidence obtained.</p>

**Key Audit Matter**

**How our audit addressed the Key Audit Matter**

***Expected credit losses on trade receivables and contract assets***

Refer to Note 3.1(b)(ii) "Credit risk – Trade receivables and contract assets", Note 4(b) "Impairment of trade receivables and contract assets", Note 5 "Segment information" and Note 16(c) "Trade receivables" to the consolidated financial statements.

As at 31 December 2025, gross trade receivables and contract assets amounted to RMB6,436,204,000 and RMB3,568,893,000 respectively, and the expected credit loss allowance of RMB707,022,000 and RMB162,200,000 was provided against the gross amount of trade receivables and contract assets, respectively.

Management determined the expected credit losses on trade receivables and contract assets based on the expected credit loss methodology. Management's judgments and assumptions are required in selecting the inputs to the expected credit loss calculation, taking into account cash collection history, existing market conditions as well as forward looking estimates.

We focus on this area due to the significant judgments and assumptions applied by management in determining the expected credit losses on trade receivables and contract assets.

We have performed the following procedures to address this key audit matter:

- (i) Understood and evaluated the key internal controls in relation to determination of the expected credit losses on trade receivables and contract assets, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including complexity and subjectivity.
- (ii) Assessed the appropriateness of the expected credit loss provisioning methodology for trade receivables and contract assets used by the management.
- (iii) Assessed the reasonableness of the expected credit loss rates of different groups of ageing and types of customers by taking into account the market condition as well as forward looking information, and reviewed management's judgements and assumptions in selecting the inputs to the expected credit loss calculation.
- (iv) Tested, on a sample basis, the accuracy of the ageing of trade receivables.
- (v) Checked the mathematical accuracy of the calculation of the provision for loss allowance.

We found that the significant judgments and assumptions made by management in determining the expected credit losses on the trade receivables and contract assets were supported by evidence obtained.

## Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><i>Assessment of net realisable value of properties under development and completed properties held for sale</i></b></p> <p>Refer to Note 4(f) "Estimates for net realisable value of properties under development and completed properties held for sale", Note 14 "Properties under development" and Note 15 "Completed properties held for sale" to the consolidated financial statements.</p> <p>As at 31 December 2025, the properties under development ("PUD") and completed properties held for sale ("PHS") of the Group amounted to approximately RMB4,646,074,000 and RMB6,732,384,000, respectively, representing approximately 27% of the Group's total assets.</p> <p>The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV"). Write-downs of approximately RMB454,884,000 were made against the carrying amounts of the PUD and PHS for the year ended 31 December 2025.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"><li>(i) Understood and evaluated the key internal controls over the assessment of NRV of PUD and PHS and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors including complexity and subjectivity.</li><li>(ii) Compared the actual selling prices in current year of the relevant PUD and PHS, against the estimated selling prices used in management's NRV assessment made in the prior year to reconsider, with hindsight, whether there was management bias in estimation.</li></ul>

**Key Audit Matter**

**How our audit addressed the Key Audit Matter**

***Assessment of net realisable value of properties under development and completed properties held for sale (continued)***

The determination of NRV of PUD and PHS required management's significant judgments and assumptions, including estimate of selling price and selling expenses, and costs to completion for PUD.

We focus on this area due to the significant judgments and assumptions applied by management in determining the NRV of PUD and PHS.

(iii) Tested management's key estimates, as follows:

- Selling prices – we compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location.
- Selling expenses – we compared the estimated selling expenses to selling price percentage with the actual average selling expenses to revenue ratio of the Group in recent years.
- Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the approved budgets and examined the related construction contracts.

(iv) Checked the mathematical accuracy of the calculations of the NRV of PUD and PHS as at 31 December 2025.

We found that the significant judgments and assumptions applied by management in determining the NRV of PUD and PHS were supported by evidence obtained.

## Independent Auditor's Report

### **OTHER INFORMATION**

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Independent Auditor's Report

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is YEUNG, Yee Mau (practising certificate number: P06790).

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 27 March 2026

# CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2025	2024
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	2,984,549	3,041,440
Right-of-use assets	7	679,165	698,182
Investment properties	9	1,123,499	1,174,384
Intangible assets	8	221,918	380,184
Investments accounted for using the equity method	11	460,676	514,727
Trade and other receivables	16	297,157	398,116
Financial assets at fair value through other comprehensive income	12	672,653	721,139
Financial assets at fair value through profit or loss	17	12,725	13,486
Deferred income tax assets	25	473,654	429,805
		<b>6,925,996</b>	<b>7,371,463</b>
<b>Current assets</b>			
Inventories	13	287,532	419,306
Properties under development	14	4,646,074	6,903,082
Completed properties held for sale	15	6,732,384	6,379,748
Contract assets	5	3,406,693	4,612,561
Trade and other receivables	16	10,188,909	9,360,962
Financial assets at fair value through profit or loss	17	308,000	64,672
Restricted bank deposits	18,19	1,290,062	1,248,932
Term deposits with initial term of over three months	19	1,973,120	832,376
Cash and cash equivalents	19	6,468,851	8,009,474
		<b>35,301,625</b>	<b>37,831,113</b>
<b>Total assets</b>		<b>42,227,621</b>	<b>45,202,576</b>

## Consolidated Balance Sheet

		As at 31 December	
		2025	2024
	Note	RMB'000	RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital and premium	20	889,722	889,722
Other reserves	21	626,892	635,849
Retained earnings	22	11,603,976	11,463,935
		<b>13,120,590</b>	12,989,506
<b>Non-controlling interests</b>		<b>517,153</b>	558,017
<b>Total equity</b>		<b>13,637,743</b>	13,547,523
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings	24	548,800	429,432
Lease liabilities	7	7,061	9,317
Deferred income tax liabilities	25	226,894	266,358
		<b>782,755</b>	705,107
<b>Current liabilities</b>			
Contract liabilities	5	8,296,329	10,394,542
Trade and other payables	23	15,540,913	16,773,049
Lease liabilities	7	2,152	1,995
Bank and other borrowings	24	3,501,655	3,279,516
Current income tax liabilities		466,074	500,844
		<b>27,807,123</b>	30,949,946
<b>Total liabilities</b>		<b>28,589,878</b>	31,655,053
<b>Total equity and liabilities</b>		<b>42,227,621</b>	45,202,576

The notes on pages 82 to 174 are an integral part of these consolidated financial statements.

The financial statements on pages 75 to 174 were approved by the Board of Directors on 27 March 2026 and were signed on its behalf.

**Mr. Pang Baogen**

*Director*

**Mr. Wang Rongbiao**

*Director*

# CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
<b>Revenue</b>	5	<b>19,946,668</b>	22,338,716
Cost of sales	28	<b>(18,466,613)</b>	(20,597,034)
<b>Gross profit</b>		<b>1,480,055</b>	1,741,682
Other income	26	<b>150,649</b>	247,592
Other losses – net	27	<b>(152,656)</b>	(15,226)
Selling and marketing costs	28	<b>(176,578)</b>	(160,108)
Administrative expenses	28	<b>(706,743)</b>	(755,619)
Reversal/(provision) for impairment losses on financial assets and contract assets	3.1(b)	<b>78,461</b>	(97,617)
<b>Operating profit</b>		<b>673,188</b>	960,704
Finance income	30	<b>16,663</b>	17,949
Finance costs	30	<b>(40,522)</b>	(32,777)
Finance costs – net	30	<b>(23,859)</b>	(14,828)
Share of results of investments accounted for using the equity method	11	<b>(3,139)</b>	32,839
Impairment of investments accounted for using the equity method	11	<b>(64,700)</b>	–
<b>Profit before income tax</b>		<b>581,490</b>	978,715
Income tax expenses	31	<b>(289,829)</b>	(477,472)
<b>Profit for the year</b>		<b>291,661</b>	501,243
<b>Profit attributable to:</b>			
– Owners of the Company		<b>289,644</b>	409,907
– Non-controlling interests		<b>2,017</b>	91,336
		<b>291,661</b>	501,243
<b>Earnings per share for profit attributable to owners of the Company</b>			
– Basic and diluted (expressed in RMB yuan per share)	32	<b>0.56</b>	0.79

The notes on pages 82 to 174 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
<b>Profit for the year</b>		<b>291,661</b>	501,243
<b>Other comprehensive loss:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences	21	<b>(351)</b>	601
<i>Items that will not be reclassified to profit or loss</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income	21	<b>(90,163)</b>	(3,522)
<b>Total other comprehensive loss for the year, net of tax</b>		<b>(90,514)</b>	(2,921)
<b>Total comprehensive income for the year</b>		<b>201,147</b>	498,322
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		<b>199,130</b>	406,986
– Non-controlling interests		<b>2,017</b>	91,336
<b>Total comprehensive income for the year</b>		<b>201,147</b>	498,322

The notes on pages 82 to 174 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
		Share Capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
<b>Balance at 1 January 2024</b>		520,756	369,474	617,063	11,075,735	12,583,028	420,901	13,003,929
<b>Comprehensive income</b>								
Profit for the year		-	-	-	409,907	409,907	91,336	501,243
Other comprehensive loss	21	-	-	(2,921)	-	(2,921)	-	(2,921)
<b>Total comprehensive income</b>		-	-	(2,921)	409,907	406,986	91,336	498,322
<b>Transactions with owners in their capacity as owners</b>								
Buy-back and cancellation of shares	20	(128)	(380)	-	-	(508)	-	(508)
Transfer of statutory surplus reserves	22	-	-	21,707	(21,707)	-	31,980	31,980
Capital contributions by non-controlling interests		-	-	-	-	-	24,800	24,800
Disposal of a subsidiary		-	-	-	-	-	(3,000)	(3,000)
Dividends to non-controlling interests		-	-	-	-	-	(8,000)	(8,000)
<b>Total transactions with owners</b>		(128)	(380)	21,707	(21,707)	(508)	45,780	45,272
<b>Balance at 31 December 2024</b>		520,628	369,094	635,849	11,463,935	12,989,506	558,017	13,547,523

## Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company				Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share Capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
<b>Balance at 1 January 2025</b>		520,628	369,094	635,849	11,463,935	12,989,506	558,017	13,547,523
<b>Comprehensive income</b>								
Profit for the year		-	-	-	289,644	289,644	2,017	291,661
Other comprehensive loss	21	-	-	(90,514)	-	(90,514)	-	(90,514)
<b>Total comprehensive income</b>		-	-	(90,514)	289,644	199,130	2,017	201,147
<b>Transactions with owners in their capacity as owners</b>								
Transfer of statutory surplus reserves	22	-	-	87,128	(87,128)	-	(850)	(850)
Capital contributions by non-controlling interests		-	-	-	-	-	200	200
Disposal of a subsidiary		-	-	-	-	-	(4,900)	(4,900)
Transactions with non-controlling interests		-	-	(5,571)	-	(5,571)	(15,687)	(21,258)
Dividends to non-controlling interests		-	-	-	-	-	(21,644)	(21,644)
Dividends to shareholders		-	-	-	(62,475)	(62,475)	-	(62,475)
<b>Total transactions with owners</b>		-	-	81,557	(149,603)	(68,046)	(42,881)	(110,927)
<b>Balance at 31 December 2025</b>		520,628	369,094	626,892	11,603,976	13,120,590	517,153	13,637,743

The notes on pages 82 to 174 are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	34(a)	171,299	862,771
Interest paid		(86,596)	(123,983)
Income tax paid		(416,744)	(763,273)
<b>Net cash used in operating activities</b>		<b>(332,041)</b>	(24,485)
<b>Cash flows from investing activities</b>			
Payments for investments in joint ventures		(24,782)	(4,900)
Repayment of loans by joint ventures		147,603	3,450
Loans to joint ventures	16(a)	(144,642)	–
Acquisition of a subsidiary, net of cash paid	38	31,062	–
Dividends received from a joint venture	11(a)	9,800	29,330
Purchase of financial assets at fair value through profit or loss	17	(308,000)	(64,950)
Disposal of financial assets at fair value through profit or loss		65,118	6,074
Purchase of financial assets at fair value through other comprehensive income	3.3(a)	(71,731)	–
Disposal of an associate	11(b)	2,000	5,728
Purchase of property, plant and equipment		(263,503)	(266,829)
Disposal of property, plant and equipment	34(b)	111,604	26,517
Purchase of right-of-use for land use rights		(21,760)	(107)
Disposal of right-of-use for land use rights	7	5,410	–
Advance from government for housing demolition and relocation		2,921	7,451
Purchase of construction stone mining rights	8	(2,703)	(17,480)
Placement of term deposits with initial term of over three months		(1,478,778)	(758,942)
Withdrawal of term deposits with initial term of over three months		338,034	255,867
Interest received		148,742	245,626
<b>Net cash used in investing activities</b>		<b>(1,453,605)</b>	(533,165)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		4,572,345	3,263,810
Repayments of borrowings		(4,230,838)	(4,148,271)
Principal elements of lease payments	7	(2,099)	(2,764)
Capital contributions by non-controlling interests		200	24,800
Dividends paid to non-controlling interests		(21,644)	(8,000)
Dividends to shareholders		(62,475)	–
<b>Net cash generated from/(used in) financing activities</b>		<b>255,489</b>	(870,425)
<b>Net decrease in cash and cash equivalents</b>		<b>(1,530,157)</b>	(1,428,075)
Cash and cash equivalents at beginning of the year		8,009,474	9,432,353
Exchange (losses)/gains on cash and cash equivalents		(10,466)	5,196
Cash and cash equivalents at end of the year		6,468,851	8,009,474

The notes on pages 82 to 174 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated, and was approved by the Board of Directors for issue on 27 March 2026.

## 2 BASIS OF PREPARATION

### 2.1 Compliance with HKFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS Accounting Standards comprise the following authoritative literature:

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

### 2.2 Historical cost convention

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

### 2.3 New and amended standards adopted by the Group

The group has applied the following new and amended standards for its annual reporting period commencing 1 January 2025:

- Amendments to HKAS 21 – Lack of Exchangeability

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.4 New and amended standards and interpretations not yet adopted

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2025 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7	Classification and measurements of financial instruments	January 1, 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – dependent Electricity	January 1, 2026
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11	January 1, 2026
HKFRS 18	Presentation and disclosure in financial statements	January 1, 2027
HKFRS 19 and amendment	Subsidiaries without public accountability: disclosures	January 1, 2027
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency	January 1, 2027
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate	To be determined

The Group has commenced an assessment of the impact of these new and amended standards, certain of which are relevant to the Group. According to the preliminary assessment made by the management of the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective, except for HKFRS 18.

HKFRS 18 will replace HKAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements. The application of HKFRS 18 is not expected to have an impact on the financial position of the Group but is expected to affect the presentation of the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement and additional disclosure will be included in the financial statements.

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy aims to minimise the potential adverse effects on the financial performance of the Group.

Risk management is carried out by the senior management of the Group, which includes the executive directors of the Group.

(a) *Market risk*

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rates and regulations of foreign exchange control promulgated by the PRC government.

The main foreign currency assets and liabilities held by the Group are US dollar ("USD") and Djiboutian Franc ("DJF"). This exposes the Group to foreign exchange risk. The conversion and remittance of these currencies are subject to governing regulations in these countries.

There is no written policy to manage this foreign exchange risk. Management monitors the Group's currency exposure on an ongoing basis. During 2025 and 2024, the Group did not purchase forward contracts to hedge the foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets at 31 December 2025 and 2024 were as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
<b>Assets</b>		
USD	<b>147,700</b>	127,131
DJF	<b>41,460</b>	44,496
	<b>189,160</b>	171,627

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effects on the profit or loss before tax for the year would be as follows:

	Change of profit before tax (decrease)/increase	
	2025 RMB'000	2024 RMB'000
RMB against USD:		
Strengthened by 5%	<b>(7,385)</b>	(6,357)
Weakened by 5%	<b>7,385</b>	6,357
RMB against DJF:		
Strengthened by 5%	<b>(2,073)</b>	(2,225)
Weakened by 5%	<b>2,073</b>	2,225

(ii) Price risk

The Group is exposed to certain raw materials (such as cement and steel) price risk, but does not enter into forward contract to hedge the related risk. Price changes are generally passed on to customers. Besides, the Group is exposed to listed equity securities price risk as the Group has listed equity securities which recorded as financial assets at FVPL and FVOCI. The Group does not actively trade these listed equity securities. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(a) *Market risk (continued)*

(ii) Price risk (continued)

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of FVPL and FVOCI at the end of each reporting period. The following table shows the sensitivity analysis of a 5% increase/decrease in equity prices. Should the equity prices increase/decrease of 5%, the effects on the profit for the year as a result of gains/losses on financial instruments classified as at FVPL and the effects on the other comprehensive income for the year as a result of gains/losses on financial instruments classified as at FVOCI would be as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Change of net profit or loss		
FVPL:		
increase of 5%	477	682
decrease of 5%	(477)	(682)
Change of other comprehensive income		
FVOCI:		
increase of 5%	23,102	27,043
decrease of 5%	(23,102)	(27,043)

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing bank deposits and bank and other borrowings. Bank deposits and bank and other borrowings with variable interest rates expose the Group to cash flow interest-rate risk. Bank and other borrowings with fixed interest rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2025, if interest rates on borrowing had been 1% higher/lower with all other variables held constant, the profit before tax for current year would decrease/increase by RMB3,432,000 (2024: RMB1,238,000).

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(b) *Credit risk*

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets, loans to joint ventures, loans to associates, cash deposits with banks and granting of guarantees in respect of mortgage facility to properties' purchasers, which represent the Group's maximum exposure to credit risk.

To manage this risk, cash deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that provision of construction services and sale of building materials are made to customers with an appropriate credit history; sales of completed properties on credit are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchases of the properties for an amount up to 80% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

The Group considers the probability of default upon initial recognition of financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Loans to joint ventures and associates

As at 31 December 2025, management assessed that the credit risk on loans to joint ventures and associates has not increased significantly since initial recognition. All such loans are classified in Stage 1, and the credit losses against loans to joint ventures and associates as follows:

Expected credit loss rate	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
0.1%-4%	12 month expected losses	Gross carrying amount

As at 31 December 2024, the Group provides for credit losses against loans to joint ventures and associates as follows:

Expected credit loss rate	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
0.1%-5%	12 month expected losses	Gross carrying amount

No significant change to estimation techniques or assumptions was made during the reporting period.

The loss allowance provision for loans to joint ventures and associates in non-current assets as at 31 December reconciles to the opening loss allowance for that provision as follows:

	Loans to joint ventures		Loans to associates	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
At 1 January	13,571	9,515	2,571	2,620
(Decrease)/increase in loss allowance	(7,633)	4,056	(119)	(49)
At 31 December	5,938	13,571	2,452	2,571
Less: loss allowance provision against current assets	–	(2,505)	(112)	(2,571)
Loss allowance provision against non-current assets	5,938	11,066	2,340	–

As at 31 December 2025, the carrying amounts of loans to joint ventures and loans to associates represent the Group's maximum exposure to credit risk in relation to these financial assets.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

(ii) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit losses, the trade receivables and contract assets were grouped based on shared credit risk characteristics and the ageing profile. Trade receivables and contract assets relating to customers with known financial difficulties or significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually. The historical loss rates for each ageing bucket are derived based on the probability of a receivable progressing through successive stages of delinquency to write-off. The historical loss rates are adjusted to expected loss rates to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparty to settle the receivables. The Group has identified the broad money supply (M2), fixed assets investments and new RMB loans to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The loss allowance provision as at 31 December 2025 and 2024 is determined as follows, the expected credit losses below also incorporate forward looking information:

31 December 2025	Within 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade receivables aged						
Expected loss rate	0.6%	3.7%	14.6%	35.9%	56.5%	
Gross carrying amount (RMB'000)	1,439,969	2,807,075	1,296,080	477,504	415,576	6,436,204
Loss allowance provision (RMB'000)	8,489	102,962	189,252	171,634	234,685	707,022

31 December 2024	Within 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade receivables aged						
Expected loss rate	0.7%	4.5%	14.9%	36.8%	57.6%	
Gross carrying amount (RMB'000)	2,689,176	2,342,252	789,157	542,006	535,299	6,897,890
Loss allowance provision (RMB'000)	17,895	105,735	117,745	199,563	308,504	749,442

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

(ii) Trade receivables and contract assets (continued)

The loss allowance provision for trade receivables and contract assets reconciles to the opening loss allowance for that provision was as follows:

	Trade receivables		Contract assets	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
At 1 January	749,442	630,041	191,750	215,351
(Decrease)/increase in loss allowance	(42,420)	119,401	(29,550)	(23,601)
At 31 December	707,022	749,442	162,200	191,750

As at 31 December 2025, the carrying amounts of trade receivables and contract assets represent the Group's maximum exposure to credit risk in relation to these financial assets.

(iii) Other receivables

Other financial assets at amortised cost include other receivables. Other receivables mainly include deposits of retention money and others.

The loss allowance provision for other receivables reconciles to the opening loss allowance for that provision as follows:

	Other receivables	
	2025 RMB'000	2024 RMB'000
At 1 January	16,231	18,421
Increase/(decrease) in loss allowance	1,261	(2,190)
At 31 December	17,492	16,231

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

(iv) (Reversal)/provision for impairment losses on financial assets and contract assets

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
(Reversed)/provided for:		
Loans to joint ventures and associates	(7,752)	4,007
Trade receivables	(42,420)	119,401
Contract assets	(29,550)	(23,601)
Other receivables	1,261	(2,190)
	<b>(78,461)</b>	97,617

(c) *Liquidity risk*

The Group has established a central treasury department (group treasury) to manage its cash flow. The Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term bank borrowings, long-term bank and other borrowings and other loans to meet its business demand. The Group treasury maintains flexibility in funding by maintaining adequate amount of cash and cash equivalent and abundant sources of financing.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (continued)

(c) *Liquidity risk (continued)*

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows.

	As at 31 December 2025				
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Principal of bank and other borrowings	3,501,655	169,800	221,000	158,000	4,050,455
Interest of bank and other borrowings	43,690	13,479	16,573	9,169	82,911
Trade and other payables (excluding other taxes payables, advances and salaries payables)	15,017,335	–	–	–	15,017,335
Lease liabilities	2,528	2,528	5,057	–	10,113
	<b>18,565,208</b>	<b>185,807</b>	<b>242,630</b>	<b>167,169</b>	<b>19,160,814</b>
Financial guarantee	985,301	–	–	–	985,301

	As at 31 December 2024				
	Less than 1 year 5 years RMB'000	Between 1 and 2 years Total RMB'000	Between 2 and 5 years RMB'000	Over RMB'000	Total RMB'000
Principal of bank and other borrowings	3,263,696	277,252	88,000	80,000	3,708,948
Interest of bank and other borrowings	55,352	12,205	12,949	4,453	84,959
Trade and other payables (excluding other taxes payables, advances and salaries payables)	16,120,979	–	–	–	16,120,979
Lease liabilities	2,511	2,528	7,585	1,264	13,888
	<b>19,442,538</b>	<b>291,985</b>	<b>108,534</b>	<b>85,717</b>	<b>19,928,774</b>
Financial guarantee	1,308,906	49,980	–	–	1,358,886

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

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy-back of issued shares, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents and restricted bank deposits. Total capital is calculated as "equity attributable to the Company's owners" as shown in the consolidated balance sheet.

As at 31 December 2025 and 2024, the Group had surplus cash and cash equivalents over borrowings.

#### 3.3 Fair value estimation

The following table presents the Group's financial assets that were measured at fair value at 31 December 2025 and 2024. See Note 9 for disclosures of the investment properties that were measured at fair value.

	As at 31 December 2025			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL				
– Bank financial products	–	–	308,000	308,000
– Listed equity securities	12,725	–	–	12,725
– Listed fund investments	–	–	–	–
Financial assets at FVOCI				
– Listed equity securities	601,201	–	–	601,201
– Unlisted equity securities	–	–	71,452	71,452
	<b>613,926</b>	–	<b>379,452</b>	<b>993,378</b>

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation (continued)

	As at 31 December 2024			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets at FVPL				
– Bank financial products	–	–	60,000	60,000
– Listed equity securities	13,486	–	–	13,486
– Listed fund investments	4,672	–	–	4,672
Financial assets at FVOCI				
– Listed equity securities	721,139	–	–	721,139
	739,297	–	60,000	799,297

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation (continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

There were no changes in valuation techniques during the year ended 31 December 2025.

The following table presents the changes in level 3 instruments for the year ended 31 December 2025 and 2024.

	2025 RMB'000	2024 RMB'000
At 1 January	60,000	6,000
Additions (a)	379,731	60,000
Disposals	(60,000)	(6,000)
Fair value changes	(279)	–
At 31 December	379,452	60,000

- (a) In September 2025, the Group acquired an equity investment in Zhejiang Provincial Institute of Architectural Science and Design Co., Ltd. ("ZPIASD") representing a 9.0% equity interest, with an initial investment amount of RMB71,731,000.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.4 Financial instruments by category

	Note	2025 RMB'000	2024 RMB'000
<b>Financial assets</b>			
Financial assets at amortised cost			
– Trade and other receivables (excluding prepayments)	16	7,407,955	8,183,187
– Restricted bank deposits	18,19	1,290,062	1,248,932
– Term deposits with initial term of over three months	19	1,973,120	832,376
– Cash and cash equivalents	19	6,468,851	8,009,474
Financial assets at FVOCI	12	672,653	721,139
Financial assets at FVPL	17	320,725	78,158

	Note	2025 RMB'000	2024 RMB'000
<b>Financial liabilities</b>			
Financial liabilities at amortised cost			
– Trade and other payables (excluding other taxes payables, advances and salaries payables)	23	15,017,335	16,120,979
– Bank and other borrowings	24	4,050,455	3,708,948
– Lease liabilities	7	9,213	11,312

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (a) Revenue recognition for provision of construction services

For construction services contracts, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to the progress towards complete satisfaction of performance obligation which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each construction contract. Significant judgments and estimates are involved in determining the total costs of construction contracts and the related revenue. In making the estimations of total costs for each construction contract, management relies on past experience and work of contractors and, if appropriate, surveyors. Changes in cost estimates in future periods can have effect on the Group's revenue recognised.

#### (b) Impairment of trade receivables and contract assets

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

#### (c) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgments and assumptions were disclosed in Note 9.

#### (d) Estimated impairment of construction stone mining right

The carrying amount of construction stone mining right is assessed for impairment when facts and circumstances suggest that the carrying amount of the construction stone mining right may exceed its recoverable amount. The Group's determination as to whether the construction stone mining right is impaired requires an estimation of the recoverable amount of the asset. The recoverable amount of the mining right is assessed by the management based on the estimates of the expected product prices, the annual mining volumes, the annual sales volumes and the discount rate. Where the recoverable amount is less than expected, a material impairment loss may arise.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

##### (e) Estimates for net realisable value of properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development (“PUD”) and completed properties held for sale (“PHS”) according to their net realisable value (“NRV”) based on the realisability of these properties. The NRV is determined by reference to management’s estimates of the selling prices based on prevailing market conditions, less the estimated selling expenses based on certain percentage of estimated selling price and, for PUD, the estimated costs to completion.

##### (f) Income taxes and deferred taxation

Significant judgments and estimates are required in determining the provision for income tax (including land appreciation tax). There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

#### 5 SEGMENT INFORMATION

The chief operating decision-makers are executive directors, who review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the operation from a business perspective, by assessing the performance of the following three main operating segments:

- Construction – provision of construction services
- Property development – development and sale of properties
- Building materials – manufacture, sale and installation of building materials

The Group’s other operations mainly comprise the sale of construction equipment, operation of investment properties, provision of architectural and interior design services and others.

The executive directors assess the performance of the operating segments based on a measure of operating profit. This measurement basis excludes financial costs and share of results of associates and joint ventures from the operating segments. Other information provided, except as noted below, to the executive directors is measured in a manner consistent with that in the consolidated financial statements. At the Group level no information regarding segment assets and segment liabilities is provided to the executive directors.

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION (CONTINUED)

Sales between segments are carried out on terms agreed upon by the respective parties. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated income statement.

The segment information was as follows:

	Year ended 31 December 2025				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Segment revenue	13,021,314	5,428,000	3,561,011	759,041	22,769,366
Less: inter-segment revenue	(1,169,219)	(16,439)	(1,237,613)	(399,427)	(2,822,698)
<b>Revenue (from external customers)</b>	<b>11,852,095</b>	<b>5,411,561</b>	<b>2,323,398</b>	<b>359,614</b>	<b>19,946,668</b>
<b>Operating profit/(loss)</b>	<b>358,297</b>	<b>402,848</b>	<b>(90,891)</b>	<b>2,934</b>	<b>673,188</b>
Depreciation	54,218	29,003	110,367	50,100	243,688
Reversal for impairment losses on financial assets and contract assets	(51,465)	(5,398)	(20,703)	(895)	(78,461)
Impairment loss on construction stone mining right	-	-	157,588	-	157,588

	Year ended 31 December 2024				
	Construction RMB'000	Property development RMB'000	Building materials RMB'000	Others RMB'000	Group RMB'000
Segment revenue	15,536,750	5,269,450	4,005,388	781,862	25,593,450
Less: inter-segment revenue	(1,401,744)	-	(1,462,926)	(390,064)	(3,254,734)
<b>Revenue (from external customers)</b>	<b>14,135,006</b>	<b>5,269,450</b>	<b>2,542,462</b>	<b>391,798</b>	<b>22,338,716</b>
<b>Operating profit/(loss)</b>	<b>524,089</b>	<b>435,792</b>	<b>(27,321)</b>	<b>28,144</b>	<b>960,704</b>
Depreciation	63,931	9,432	139,786	46,510	259,659
Provision/(reversal) for impairment losses on financial assets and contract assets	89,914	9,761	(7,056)	4,998	97,617
Impairment loss on construction stone mining right	-	-	38,432	-	38,432

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

The Company was domiciled in the PRC. The Group's business activities were mainly carried out in the PRC. The Group's non-current assets other than financial instruments and deferred tax assets located mainly in the PRC.

**5 SEGMENT INFORMATION (CONTINUED)****(a) Analysis of revenue by category**

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers:		
Revenue from provision of construction services:		
– Recognised over time	<b>11,852,095</b>	14,135,006
Revenue from sale of properties:		
– Recognised at a point in time	<b>5,411,561</b>	5,269,450
Revenue from sale of building materials:		
– Recognised at a point in time	<b>857,130</b>	965,871
– Recognised over time	<b>1,466,268</b>	1,576,591
	<b>2,323,398</b>	2,542,462
Revenue from others:		
– Recognised at a point in time	<b>233,171</b>	226,325
– Recognised over time	<b>26,071</b>	26,069
	<b>259,242</b>	252,394
Revenue from other sources:		
Rental income	<b>100,372</b>	139,404
	<b>19,946,668</b>	22,338,716

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

## 5 SEGMENT INFORMATION (CONTINUED)

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

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Details of contract assets are as follows:

	2025 RMB'000	2024 RMB'000
Relating to construction services	3,266,857	4,316,227
Relating to installation of building materials	302,036	488,084
	<b>3,568,893</b>	4,804,311
Less: provision for loss allowance (Note 3.1(b))	<b>(162,200)</b>	(191,750)
Total contract assets	<b>3,406,693</b>	4,612,561

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

Details of contract liabilities are as follows:

	2025 RMB'000	2024 RMB'000
Related to construction services	2,499,483	3,304,131
Related to sale of properties	4,892,901	6,325,630
Related to sale of building materials	903,945	764,781
Total contract liabilities	<b>8,296,329</b>	10,394,542

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

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

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

	2025 RMB'000	2024 RMB'000
Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year		
– Provision of construction services	<b>2,175,940</b>	1,329,243
– Sale of properties	<b>3,446,499</b>	4,133,178
– Sale of building materials	<b>532,974</b>	430,854
	<b>6,155,413</b>	5,893,275

Unsatisfied contracts are:

	2025 RMB'000	2024 RMB'000
Expected to be recognised within one year	<b>14,893,177</b>	17,779,171
Expected to be recognised after one year	<b>46,179,726</b>	50,244,816
Total transaction price allocated to the unsatisfied contracts as at 31 December	<b>61,072,903</b>	68,023,987

## 5 SEGMENT INFORMATION (CONTINUED)

### (c) Accounting policies of Revenue recognition

(i) *Revenue from contracts with customers*

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset to be transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

## 5 SEGMENT INFORMATION (CONTINUED)

### (c) Accounting policies of Revenue recognition (continued)

(i) *Revenue from contracts with customers (continued)*

Rendering of construction services, sale of properties and sale of building materials

For construction services contracts, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to the progress towards complete satisfaction of that performance obligation which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

For property sales contracts and building materials sales contracts for which the control of the property or the building materials are transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property or the building materials and the Group has present right to payment and the collection of the consideration is probable. For building materials sales contracts which the control of the building materials is transferred over time, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to the progress towards complete satisfaction of that performance obligation which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(ii) *Rental income*

Rental income from investment properties, building, plants and machinery and completed properties held for sale under operating leases is recognised on a straight line basis over the term of the lease.

## Notes to the Consolidated Financial Statements

### 6 PROPERTY, PLANT AND EQUIPMENT

	Buildings and plants RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2024</b>						
Cost	3,212,803	1,062,892	96,916	227,052	463,321	5,062,984
Accumulated depreciation	(1,120,221)	(590,234)	(94,653)	(204,606)	–	(2,009,714)
Net book amount	2,092,582	472,658	2,263	22,446	463,321	3,053,270
<b>Year ended 31 December 2024</b>						
Opening net book amount	2,092,582	472,658	2,263	22,446	463,321	3,053,270
Additions	104,152	29,790	8,126	5,211	123,301	270,580
Transfer from PHS	69,802	–	–	–	–	69,802
Transfers	60,483	2,458	269	–	(63,210)	–
Disposals	(11,944)	(5,140)	(577)	(5,017)	(9,152)	(31,830)
Transfer to Investment Property (Note 9)	(85,059)	–	–	–	–	(85,059)
Depreciation charge (Note 28)	(139,390)	(74,241)	(9,775)	(11,917)	–	(235,323)
Closing net book amount	2,090,626	425,525	306	10,723	514,260	3,041,440
<b>At 31 December 2024</b>						
Cost	3,305,500	1,057,357	98,552	220,104	514,260	5,195,773
Accumulated depreciation	(1,214,874)	(631,832)	(98,246)	(209,381)	–	(2,154,333)
Net book amount	2,090,626	425,525	306	10,723	514,260	3,041,440
<b>Year ended 31 December 2025</b>						
Opening net book amount	2,090,626	425,525	306	10,723	514,260	3,041,440
Additions	18,365	18,103	15,226	5,553	203,148	260,395
Acquisition of a subsidiary (Note 38)	–	–	–	3	–	3
Transfers	10,749	15,379	–	85	(26,213)	–
Disposals	(56,909)	(1,318)	(377)	776	(40,105)	(97,933)
Depreciation charge (Note 28)	(129,964)	(69,738)	(9,839)	(9,815)	–	(219,356)
Closing net book amount	1,932,867	387,951	5,316	7,325	651,090	2,984,549
<b>At 31 December 2025</b>						
Cost	3,159,624	982,783	258,819	105,208	651,090	5,157,524
Accumulated depreciation	(1,226,757)	(594,832)	(253,503)	(97,883)	–	(2,172,975)
Net book amount	1,932,867	387,951	5,316	7,325	651,090	2,984,549

## 6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charge of RMB137,672,000 (2024: RMB145,242,000) and RMB81,684,000 (2024: RMB90,081,000) was expensed in cost of sales and administrative expenses, respectively.

As at 31 December 2025, property, plant and equipment was pledged as collateral for the Group's bank borrowings to the extent of RMB350,002,000 (2024: RMB224,616,000) (Note 24(a)).

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

	2025 RMB'000	2024 RMB'000
Cost	492,936	489,292
Accumulated depreciation at 1 January	(231,686)	(212,242)
Depreciation charge for the year	(18,206)	(19,444)
Net book amount	243,044	257,606
Related rental income for the year	100,372	102,806

### (b) Accounting policies of property, plant and equipment

Depreciation is calculated using the straight-line method to allocate their costs amounts to their residual values over their estimated useful lives, as follows:

Buildings and plants	20 years
Machinery	10 years
Motor vehicles	4 to 5 years
Office equipment and others	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

## Notes to the Consolidated Financial Statements

### 7 LEASES

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

	2025 RMB'000	2024 RMB'000
<b>Right-of-use assets</b>		
Right-of-use for properties	8,096	10,687
Right-of-use for land	671,069	687,495
	<b>679,165</b>	698,182
<b>Lease liabilities</b>		
Current	2,152	1,995
Non-current	7,061	9,317
	<b>9,213</b>	11,312

Additions to the right-of-use for land during the year ended 31 December 2025 were RMB21,905,000 (2024: nil). Disposal of the right-of-use for land during the year ended 31 December 2025 were RMB5,410,000 (2024: nil). Right-of-use for land were located in the PRC and were held on leases of between 40 to 70 years.

As at 31 December 2025, total carrying value of right-of-use for land pledged as collateral for the Group's bank borrowings amounted to RMB433,670,000 (2024: RMB284,528,000) (Note 24(a)).

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

	2025 RMB'000	2024 RMB'000
<b>Depreciation charge of right-of-use assets (Note 28)</b>		
Right-of-use for properties	(2,591)	(3,020)
Right-of-use for land	(21,741)	(22,402)
	<b>(24,332)</b>	(25,422)
Gains on disposal of right-of-use for land (Note 27)	6,909	–
Interest expense (included in finance cost)	(455)	(594)
Expense relating to short-term leases (included in cost of goods and administrative expenses)	16,696	17,188

The total cash outflow for leases in 2025 was RMB2,099,000 (2024: RMB2,764,000).

## 8 INTANGIBLE ASSETS

	Construction stone mining right RMB'000 (Note (a))	Goodwill RMB'000	Total RMB'000
<b>Year ended 31 December 2024</b>			
Opening and closing net book amount	371,613	16,534	388,147
Additions	30,469	–	30,469
Impairment (b)	(38,432)	–	(38,432)
<b>At 31 December 2024</b>			
Cost and net book amount	363,650	16,534	380,184
<b>Year ended 31 December 2025</b>			
Opening and closing net book amount	<b>363,650</b>	<b>16,534</b>	<b>380,184</b>
Additions	<b>2,703</b>	–	<b>2,703</b>
Amortisation (a)	<b>(3,381)</b>	–	<b>(3,381)</b>
Impairment (b)	<b>(157,588)</b>	–	<b>(157,588)</b>
<b>At 31 December 2025</b>			
Cost and net book amount	<b>205,384</b>	<b>16,534</b>	<b>221,918</b>

- (a) As at 31 December 2025, the Group has commenced mining production activities and an amortisation amount of RMB3,381,000 (2025: nil) charged to profit or loss.
- (b) An impairment assessment of the construction stone mining right was performed by management, to determine the recoverable amount as at 31 December 2025, and impairment loss of RMB157,588,000 (2024: RMB38,432,000) was recognised according to the assessment.
- (c) Management employed the discounted cash flow method to assess whether the mining right was impaired. Key accounting estimates utilized in the assessment included average annual production volume, average annual sales volume, forecasted unit selling price, and the discount rate.

## 9 INVESTMENT PROPERTIES

	2025 RMB'000	2024 RMB'000
At fair value:		
At 1 January	1,174,384	1,132,408
Transfer from property, plant and equipment (Note 6)	–	85,059
Fair value losses (Note 27)	(50,885)	(43,083)
At 31 December	1,123,499	1,174,384

### Amounts recognised in profit and loss for investment properties

	2025 RMB'000	2024 RMB'000
Rental income	32,505	36,598
Direct operating expenses from properties that generated rental income	(31,333)	(32,793)
	1,172	3,805

As at 31 December 2025, the Group had no unprovided contractual obligations for future repairs and maintenance (2024: nil).

The Group's investment properties mainly represented shopping malls, office buildings, commercial space and apartments and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through leasing.

The fair value losses was included in "Other losses – net" in the consolidated income statement (Note 27). The investment properties, carried at fair value, were valued by using unobservable inputs of fair value hierarchy Level 3.

There were no transfers between Levels 1, 2 and 3 during the year.

## 9 INVESTMENT PROPERTIES (CONTINUED)

### Valuation processes of the Group

The fair value to the investment properties was conducted by management either with the assistance of a valuation performed by an independent professionally qualified valuer, Shaoxing Zhongxing Property Surveyors Limited, who hold relevant recognised professional qualification and has recent experience in the locations and segments of the investment properties valued or the management. For all investment properties, their current use equates to the highest and best use.

Management of the Group calculates the valuations or reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the directors. Discussions of valuation processes and results are held between the directors and management at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Calculates the valuation or verifies all major inputs to the valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with independent valuer, if independent valuer is involved.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the directors and management. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

## Notes to the Consolidated Financial Statements

### 9 INVESTMENT PROPERTIES (CONTINUED)

#### Valuation techniques

For the completed shopping malls and office buildings, the valuation was determined using discounted cash flow ("DCF") projections based on significant unobservable inputs. These inputs include:

Future rental cash inflows	Based on location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties.
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows.
Capitalisation rates	Based on location, size and quality of the properties and taking into account market data at the valuation date.

#### Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Unobservable inputs	Range of unobservable inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
		As at 31 December 2025	As at 31 December 2024	
Investment properties	Future rental cash inflows	<b>RMB23-RMB190 per month per square meter</b>	RMB29-RMB206 per month per square meter	The higher the rental value, the higher the fair value
	Discount rate	<b>5.50%</b>	6.00%	The higher the discount rate, the lower the fair value
	Capitalisation rate	<b>4.95%</b>	5.00%	The higher the capitalisation rate, the lower the fair value

## 10 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2025, all of which are limited liability companies incorporated and operating in the PRC, except for Baoye Hubei Construction Engineering Group Co., Ltd., which also operates in certain African countries:

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly			
浙江寶業建設集團有限公司 Zhejiang Baoye Construction Group Co., Ltd.	100%	–	–	1,090,000	Construction and construction related business
浙江寶業幕牆裝飾有限公司 Zhejiang Baoye Curtain Wall Decoration Co., Ltd.	–	83.06%	16.94%	252,000	Manufacture and installation of curtain wall and steel framework
浙江寶業交通建設工程有限公司 Zhejiang Baoye Infrastructure Construction Co., Ltd.	73.68%	26.32%	–	228,000	Construction of highway, bridges and other municipal infrastructure
浙江廣藝建築裝飾工程有限公司 Zhejiang Guangyi Construction and Decoration Co., Ltd.	100%	–	–	50,000	Decoration and replenishment
浙江寶業房地產集團有限公司 Zhejiang Baoye Real Estate Group Co., Ltd.	90%	10%	–	50,000	Property development
紹興寶業四季園房地產有限公司 Shaoxing Baoye Four Seasons Garden Real Estate Co., Ltd.	100%	–	–	100,000	Property development
浙江寶業住宅產業化有限公司 Zhejiang Baoye Building Materials Industrialisation Co., Ltd.	100%	–	–	53,600	Sales of concrete and construction materials

## Notes to the Consolidated Financial Statements

### 10 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly			
				RMB'000	
浙江寶業木製品有限公司 Zhejiang Baoye Woodwork Co., Ltd	100%	–	–	31,514	Sales of steel, wood fireproof doors, and other wooden products
上海紫寶房地產開發有限公司 Shanghai Zibao Real Estate Development Co., Ltd.	–	100%	–	18,000	Property development
安徽寶業建工集團有限公司 Anhui Baoye Construction Engineering Group Co., Ltd.	–	100%	–	1,000,000	Sales of concrete and construction materials
安徽寶業房產集團有限公司 Anhui Baoye Real Estate Co., Ltd.	–	100%	–	100,000	Property development
安徽華騰投資有限公司 Anhui Huateng Investment Co., Ltd.	–	100%	–	10,000	Property development
上海寶悅房地產開發有限公司 Shanghai Baoyue Real Estate Development Co., Ltd.	–	100%	–	30,000	Property development
上海寶拓房地產開發有限公司 Shanghai Baotuo Real Estate Development Co., Ltd.	–	100%	–	30,000	Property development
紹興寶業大坂綠園房地產開發有限公司 Shaoxing Baoye Daban Green Garden Real Estate Development Co., Ltd.	–	100%	–	100,000	Property development

## 10 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly			
寶業湖北建工集團有限公司 Baoye Hubei Construction Engineering Group Co., Ltd.	–	100%	–	1,000,000	Provision of construction services
湖北省建工第二建設有限公司 Hubei Construction Engineering No.2 Co., Ltd.	–	100%	–	181,800	Provision of construction services
湖北省建工第三建設有限公司 Hubei Construction Engineering No.3 Co., Ltd.	–	100%	–	100,800	Provision of construction services
湖北省建工第五建設有限公司 Hubei Construction Engineering No.5 Co., Ltd.	–	100%	–	160,000	Provision of construction services
湖北省建工機械施工有限公司 Hubei Engineering Machinery Construction Co., Ltd.	–	100%	–	20,000	Provision of construction services
湖北省建工房地產開發有限公司 Hubei Construction Engineering Real Estate Development Co., Ltd.	–	100%	–	20,000	Property development
湖北寶業房地產開發有限公司 Hubei Baoye Real Estate Development Co., Ltd.	–	100%	–	50,000	Property development
安徽金樞置業有限公司 Anhui Jinliang Real Estate Company Limited	–	100%	–	10,000	Property development

## Notes to the Consolidated Financial Statements

### 10 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly			
合肥中寶機械製造有限公司 Hefei Zhongbao Machinery Manufacture Co., Ltd.	–	100%	–	40,000	Sales of machinery and fittings
蒙城寶業投資有限公司 Mengcheng Baoye Investment Co., Ltd (Note (a))	–	50%	50%	20,000	Property development
蒙城縣寶鯤房地產開發有限公司 Mengcheng County Baokun Real Estate Co., Ltd.	–	100%	–	25,000	Property development
太和縣寶業投資有限公司 Taihe Baoye Investment Co., Ltd	–	55%	45%	20,000	Property development
浙江寶業現代建築工業化製造有限公司 Shaoxing Baoye Modern Building Industrial Manufacturing Co., Ltd	–	100%	–	709,735	Sales of new concrete prefabricated parts
浙江寶業建材科技有限公司 Baoye Building Materials Technology Company Limited	–	100%	–	20,000	Sales of construction materials

## 10 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly			
紹興寶業新橋江房地產開發有限公司 Shaoxing Baoye Xinqiaojiang Real Estate Development Co., Ltd	–	100%	–	100,000	Property development
麗水寶業現代房地產開發有限公司 Lishui Baoye Modern Real Estate Development Co., Ltd	–	100%	–	50,000	Property development
六安寶業置業投資有限公司 Luan Baoye Real Estate Investment Co., Ltd	–	70%	30%	10,000	Property development
寧波廣弘房地產開發有限公司 Ningbo Guanghong Real Estate Development Co., Ltd	–	100%	–	10,000	Property development
蘇州寶嘉綠色建築產業發展有限公司 Suzhou Baojia Green Building Industry Development Co., Ltd	–	51%	49%	50,000	Sales of construction materials
蚌埠寶業建築科技有限公司 Bengbu Baoye Construction Technology Co., Ltd	–	100%	–	20,000	Sales of construction materials
武漢裕築房地產開發有限公司 Wuhan Yuzhu Real Estate Development Co., Ltd	–	100%	–	50,000	Property development

## Notes to the Consolidated Financial Statements

### 10 SUBSIDIARIES (CONTINUED)

Name	Attributable equity interest held		Proportion of ordinary shares held by non-controlling interests	Registered capital	Principal activities
	Directly	Indirectly			
武漢寶業裕科置業有限公司 Wuhan Baoye Yuke Real Estate Co., Ltd	–	100%	–	50,000	Property development
宜昌寶業礦業有限公司 Yichang Baoye Mining Co., Ltd.	–	100%	–	50,000	Mining of mineral resources
武漢寶城置業有限公司 Wuhan Baocheng Real Estate Co., Ltd.	–	100%	–	100,000	Property development
宜昌寶業房地產有限公司 Yichang Baoye Real Estate Co., Ltd.	–	100%	–	100,000	Property development

- (a) Although the Group owns 50% of the equity interest in Mengcheng Baoye Investment Co., Ltd (“Mengcheng Baoye”), it is able to exercise power over two-third of the voting rights by virtue of an agreement with other investors. Consequently, the Group regards Mengcheng Baoye as a subsidiary.
- (b) As at 31 December 2025 and 2024, there were no non-controlling interests that were material to the Group.

**11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	2025 RMB'000	2024 RMB'000
Investments in joint ventures (a)	439,560	481,671
Investments in associates (b)	21,116	33,056
	<b>460,676</b>	514,727

**(a) Investments in joint ventures**

	2025 RMB'000	2024 RMB'000
<b>At 1 January</b>	481,671	445,027
Additions	24,782	29,900
Adjustment for transactions between the Group and joint ventures	1,306	512
Dividends	(9,800)	(29,330)
Impairment of investments accounted for using the equity method (i)	(64,700)	–
Share of results	6,301	35,562
<b>At 31 December</b>	<b>439,560</b>	481,671
Represented by share of net assets	439,560	481,671

- (i) During the year ended 31 December 2025, management conducted an impairment assessment of a joint venture, Wuhan Baoye Dexin Real Estate Co., Ltd. (武漢寶業德信置業有限公司, “Wuhan Dexin”), and recognized an impairment loss of RMB64,700,000.

## 11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

### (b) Investments in associates

	2025 RMB'000	2024 RMB'000
<b>At 1 January</b>	<b>33,056</b>	40,667
Additions	–	840
Disposal	<b>(2,000)</b>	(5,728)
Transfer to subsidiaries	<b>(500)</b>	–
Share of results	<b>(9,440)</b>	(2,723)
<b>At 31 December</b>	<b>21,116</b>	33,056
Represented by share of net assets	<b>21,116</b>	33,056

As at 31 December 2025, there were no contingent liabilities relating to the Group's interests in the joint ventures and associates.

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

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
Unlisted equity investments at fair value (a)	71,452	–
Listed equity investments at fair value (b)	601,201	721,139
	<b>672,653</b>	721,139

Fair value changes included the following:

	2025 RMB'000	2024 RMB'000
Listed equity investments at fair value	(120,217)	(4,696)

- (a) This represented 9.0% equity interest in ZPIASD acquired in 2025 in the PRC. The fair value of the Group's investment in ZPIASD was determined by management using market approach by reference to the price to earnings multiples of comparable listed companies in the domestic capital market.
- (b) This represented (i) 7.81% equity interest in Shanghai Research Institute of Building Sciences Group Co., Ltd. ("SRIBSG") which listed its shares on the Main Board of Shanghai Stock Exchange in March 2023; and (ii) 0.74% equity interest in Zhejiang Shaoxing Rui Feng Rural Commercial Bank Co., Ltd ("Bank of Ruifeng"), which was mainly engaged in banking business approved by China Banking and Insurance Regulatory Commission, and was listed on the Main Board of Shanghai Stock Exchange in June 2021.

## Notes to the Consolidated Financial Statements

### 13 INVENTORIES

	2025 RMB'000	2024 RMB'000
At cost:		
Raw materials	79,228	130,774
Work in progress	59,278	72,468
Finished goods	149,026	216,064
	<b>287,532</b>	419,306

The cost of inventories recognised as cost of sales amounted to RMB1,287,585,000 (2024: RMB1,447,244,000). No inventories provision was made as at 31 December 2025 and 2024.

### 14 PROPERTIES UNDER DEVELOPMENT

	2025 RMB'000	2024 RMB'000
At cost	4,081,276	5,711,318
At net realisable value	564,798	1,191,764
	<b>4,646,074</b>	6,903,082

The properties under development was expected to be completed as follows:

	2025 RMB'000	2024 RMB'000
Within the normal operating cycle included under current assets		
– to be completed over one year	3,257,152	5,095,494
– to be completed within one year	1,388,922	1,807,588
	<b>4,646,074</b>	6,903,082

Write-downs of properties under development to net realisable value during the year ended 31 December 2025 amounted to RMB13,627,000 (2024: RMB11,195,000), which were recognised in profit or loss.

As at 31 December 2025, properties under development amounted to RMB847,269,000 (2024: RMB338,278,000) were pledged as security for the Group's bank borrowings (Note 24(a)).

## 14 PROPERTIES UNDER DEVELOPMENT (CONTINUED)

### (a) Accounting policies of Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the projected sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of properties comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfil a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfil a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are classified as current assets and included in properties under development or completed properties held for sale, while those out of the normal operating cycle are classified as non-current assets.

## 15 COMPLETED PROPERTIES HELD FOR SALE

	2025 RMB'000	2024 RMB'000
At cost	1,438,616	4,212,828
At net realisable value	5,293,768	2,166,920
	<b>6,732,384</b>	6,379,748

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

Write-downs of completed properties held for sale to net realisable value during the year ended 31 December 2025 amounted to RMB186,450,000 (2024: RMB139,339,000), which were recognised in profit or loss.

## 15 COMPLETED PROPERTIES HELD FOR SALE (CONTINUED)

### (a) Accounting policies of completed properties held for sale

Completed properties remaining unsold at year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

## 16 TRADE AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
<b>Non-current assets</b>		
Loans to joint ventures (a)	162,807	398,116
Loans to associates (b)	134,350	–
	<b>297,157</b>	398,116
<b>Current assets</b>		
Trade receivables (c)	5,729,182	6,148,448
Other receivables and prepayments (e)	4,456,656	3,027,276
Loans to joint ventures (a)	–	47,936
Loans to associates (b)	3,071	137,302
	<b>10,188,909</b>	9,360,962
Total trade and other receivables	<b>10,486,066</b>	9,759,078

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

	2025 RMB'000	2024 RMB'000
<b>At 1 January</b>	<b>459,623</b>	483,785
Additions	<b>144,642</b>	2,322
Interest accrued	<b>1,907</b>	1,966
Repayments	<b>(147,603)</b>	(28,450)
Step-up acquisition (i)	<b>(289,824)</b>	–
	<b>168,745</b>	459,623
Less: provision for loss allowance (Note 3.1(b))	<b>(5,938)</b>	(13,571)
<b>At 31 December</b>	<b>162,807</b>	446,052
Less: current portion	–	(47,936)
Non-current portion	<b>162,807</b>	398,116

- (i) On 16 July 2025, the Group acquired additional equity interests in Baoye Dexin and the Group is able to control Baoye Dexin (Note 38). Accordingly, Baoye Dexin has been reclassified from a joint venture to a subsidiary and consolidated from the acquisition date.

For the year ended 31 December 2024, the Group had provided loans to Baoye Dexin, a then joint venture, amounting to RMB289,182,000. During the six months ended 30 June 2025, the Group further provided loans of RMB642,000 to Baoye Dexin. These balances was presented within "Loans to joint ventures" in the consolidated balance sheet.

Following the acquisition of control, these loans have been reclassified as intra-group balances. In accordance with HKFRS 10 Consolidated Financial Statements, these balances, together with any related accrued interest, have been fully eliminated on consolidation.

Further details of this acquisition are set out in Note 38.

- (ii) Loans to joint ventures to the extent of RMB42,999,000 (2024: RMB50,441,000) are interest-bearing at an interest rates range from 4% per annum to 5.25% per annum (2024: 4% per annum to 5.25% per annum). The remaining amounts of the loans are interest-free and repayable on demand. All loans to joint ventures were unsecured.

**16 TRADE AND OTHER RECEIVABLES (CONTINUED)****(b) Loans to associates**

	2025 RMB'000	2024 RMB'000
<b>At 1 January</b>	<b>139,873</b>	140,213
Repayments	–	(340)
	<b>139,873</b>	139,873
Less: provision for loss allowance (Note 3.1(b))	<b>(2,452)</b>	(2,571)
<b>At 31 December</b>	<b>137,421</b>	137,302
Less: current portion	<b>(3,071)</b>	(137,302)
Non-current portion	<b>134,350</b>	–

Loans to associates are interest-free and unsecured.

**(c) Trade receivables**

	2025 RMB'000	2024 RMB'000
Trade receivables	<b>6,436,204</b>	6,897,890
Less: provision for loss allowance (Note 3.1(b))	<b>(707,022)</b>	(749,442)
	<b>5,729,182</b>	6,148,448

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:

	2025 RMB'000	2024 RMB'000
Within 3 months	<b>1,439,969</b>	2,689,176
3 months to 1 year	<b>2,807,075</b>	2,342,252
1 to 2 years	<b>1,296,080</b>	789,157
2 to 3 years	<b>477,504</b>	542,006
Over 3 years	<b>415,576</b>	535,299
	<b>6,436,204</b>	6,897,890

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2025, a provision of RMB707,022,000 (2024: RMB749,442,000) was made against the gross amount of trade receivables (Note 3.1(b)).

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

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

	2025 RMB'000	2024 RMB'000
Denominated in:		
– RMB	<b>6,297,500</b>	6,759,267
– Other currencies	<b>138,704</b>	138,623
	<b>6,436,204</b>	6,897,890

As at 31 December 2025, the carrying value of trade receivables approximated their fair value.

**(d) Accounting policies of trade receivables**

Trade receivables are amounts due from customers for merchandise (including the properties and building materials) sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1 for a description of the Group's impairment policies.

**16 TRADE AND OTHER RECEIVABLES (CONTINUED)****(e) Other receivables and prepayments**

	2025 RMB'000	2024 RMB'000
Other receivables:		
– Retention money and project deposits	728,461	754,007
– Advances to project managers	118,675	110,421
– Government compensation	334,514	377,256
– Others	214,387	225,932
	<b>1,396,037</b>	1,467,616
Less: provision for loss allowance (Note 3.1(b))	<b>(17,492)</b>	(16,231)
	<b>1,378,545</b>	1,451,385
Prepayments:		
– Prepayments for land use rights for property development	2,189,217	729,305
– Prepayments to suppliers	422,713	413,173
– Prepaid income taxes	359,400	320,514
– Others	106,781	112,899
	<b>3,078,111</b>	1,575,891
Other receivables and prepayments	<b>4,456,656</b>	3,027,276

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

As at 31 December 2025, the carrying value of other receivables approximated their fair value.

As at 31 December 2025, the carrying amounts of other receivables and prepayments were mainly denominated in RMB.

**17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

Movements of financial assets at FVPL were as follows:

	2025 RMB'000	2024 RMB'000
<b>At 1 January</b>	<b>78,158</b>	17,315
Additions	<b>308,000</b>	64,950
Fair value changes	<b>(761)</b>	1,893
Disposals	<b>(64,672)</b>	(6,000)
<b>At 31 December</b>	<b>320,725</b>	78,158

Financial assets at FVPL included the following:

	2025 RMB'000	2024 RMB'000
Non-current:		
– Listed equity securities – the PRC	<b>12,725</b>	13,486
Current:		
– Bank financial products (a)	<b>308,000</b>	60,000
– Listed fund investments	–	4,672
	<b>308,000</b>	64,672
	<b>320,725</b>	78,158

- (a) The amount represented investments in financial products issued by banks with expected returns ranging from 0.45% to 1.98% per annum. The carrying values approximated their fair values. The fair values were determined based on the discounted cash flows of the investment principal amount and expected investment return and were within level 3 of the fair value hierarchy.

## Notes to the Consolidated Financial Statements

### 18 RESTRICTED BANK DEPOSITS

The restricted bank deposits mainly represented the deposits in designated accounts confined to be used for tender bidding or to guarantee the performance of certain construction contract work and construction of pre-sale properties.

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amounts of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained, and will be released in accordance with certain construction progress milestones.

### 19 CASH AND CASH EQUIVALENTS

	2025 RMB'000	2024 RMB'000
Cash and bank deposits (i)	<b>9,732,033</b>	10,090,782
Less: Term deposits with initial term of over three months (ii)	<b>(1,973,120)</b>	(832,376)
Restricted bank deposits (Note 18)	<b>(1,290,062)</b>	(1,248,932)
	<b>6,468,851</b>	8,009,474

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

	2025 RMB'000	2024 RMB'000
Denominated in:		
– RMB	<b>9,382,996</b>	9,754,708
– USD	<b>240,001</b>	194,060
– DJF	<b>51,432</b>	51,358
– Other currencies	<b>57,604</b>	90,656
	<b>9,732,033</b>	10,090,782

(ii) The weighted average interest rate as at 31 December 2025 of term deposits with initial term of over three months of the Group was 2.37% (2024: 2.05%).

## 20 SHARE CAPITAL AND PREMIUM

	Number of shares (thousands of RMB1 each)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
<b>At 1 January 2025</b>				
– Domestic shares	350,742	350,742	–	350,742
– H shares*	169,886	169,886	369,094	538,980
	520,628	520,628	369,094	889,722
<b>At 31 December 2025</b>				
– Domestic shares	350,742	350,742	–	350,742
– H shares	169,886	169,886	369,094	538,980
	520,628	520,628	369,094	889,722
<b>At 1 January 2024</b>				
– Domestic shares	350,742	350,742	–	350,742
– H shares*	170,014	170,014	369,474	539,488
	520,756	520,756	369,474	890,230
Cancellation of H Shares (a)	(128)	(128)	(380)	(508)
<b>At 31 December 2024</b>				
– Domestic shares	350,742	350,742	–	350,742
– H shares	169,886	169,886	369,094	538,980
	520,628	520,628	369,094	889,722

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

(a) During the year ended 31 December 2024, the Company cancelled 128,000 H Shares, representing approximately 0.0753% and 0.0246% of the total number of H Shares and total number of issued shares of the Company, respectively.

## Notes to the Consolidated Financial Statements

### 21 OTHER RESERVES

	Financial assets fair value reserve RMB'000	Statutory surplus reserve RMB'000	Capital Reserve – Other RMB'000	Others RMB'000	Total RMB'000
<b>At 1 January 2024</b>	366,520	259,069	–	(8,526)	617,063
Appropriation from retained earnings	–	21,707	–	–	21,707
Revaluation of financial assets at FVOCI (Note 12)	(4,696)	–	–	–	(4,696)
Revaluation-tax (Note 25)	1,174	–	–	–	1,174
Currency translation differences	–	–	–	601	601
<b>At 31 December 2024</b>	<b>362,998</b>	<b>280,776</b>	<b>–</b>	<b>(7,925)</b>	<b>635,849</b>
<b>At 1 January 2025</b>	<b>362,998</b>	<b>280,776</b>	<b>–</b>	<b>(7,925)</b>	<b>635,849</b>
Appropriation from retained earnings	–	87,128	–	–	87,128
Revaluation of financial assets at FVOCI (Note 12)	(120,217)	–	–	–	(120,217)
Revaluation-tax (Note 25)	30,054	–	–	–	30,054
Currency translation differences	–	–	–	(351)	(351)
Transactions with non-controlling interests	–	–	(5,571)	–	(5,571)
<b>At 31 December 2025</b>	<b>272,835</b>	<b>367,904</b>	<b>(5,571)</b>	<b>(8,276)</b>	<b>626,892</b>

#### (a) Statutory surplus reserve

All PRC incorporated companies within the Group are required each year to transfer 10% of the profit after tax as reported in the PRC statutory accounts to the statutory surplus reserve until the balance reaches 50% of the registered share capital. This reserve can be used to reduce any losses incurred or to increase ordinary shares. Except for the reduction due to losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

## 22 RETAINED EARNINGS

	2025 RMB'000	2024 RMB'000
<b>At 1 January</b>	<b>11,463,935</b>	11,075,735
Profit attributable to owner of the Company	<b>289,644</b>	409,907
Transfer to statutory surplus reserve	<b>(87,128)</b>	(21,707)
Dividends to shareholders	<b>(62,475)</b>	–
<b>At 31 December</b>	<b>11,603,976</b>	11,463,935

As at 31 December 2025, included in retained earnings of the Group, RMB1,810,850,000 (2024: RMB1,708,035,000) was surplus reserve of subsidiaries attributable to the Company, of which RMB102,815,000 (2024: RMB127,314,000) was appropriated for the current year.

## 23 TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables (a)	<b>9,943,487</b>	11,173,249
Other payables (b)	<b>5,597,426</b>	5,599,800
	<b>15,540,913</b>	16,773,049

### (a) Trade payables

As at 31 December 2025, the ageing analysis of the trade payables based on invoice date was as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	<b>3,524,636</b>	4,828,004
3 months to 1 year	<b>3,542,414</b>	3,996,898
1 to 2 years	<b>1,861,943</b>	1,164,515
2 to 3 years	<b>700,691</b>	824,169
Over 3 years	<b>313,803</b>	359,663
	<b>9,943,487</b>	11,173,249

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

## 23 TRADE AND OTHER PAYABLES (CONTINUED)

### (b) Other payables

	2025 RMB'000	2024 RMB'000
Deposits from project managers	3,157,818	3,176,946
Amounts due to non-controlling interests (i)	535,900	573,952
Amounts due to joint ventures	37,686	–
Prepayments from government for housing demolition and relocation (ii)	456,512	450,591
Deposits from property purchasers	227,019	240,088
Other taxes payables	30,387	143,669
Salaries payables	36,679	57,810
Others	1,115,425	956,744
	<b>5,597,426</b>	<b>5,599,800</b>

- (i) Amounts due to non-controlling interests were unsecured, interest free and repayable on demand.
- (ii) Amount represents the prepayments received from the government for housing demolition and relocation projects.

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

## 24 BANK AND OTHER BORROWINGS

	2025 RMB'000	2024 RMB'000
<b>Non-current liabilities</b>		
Long-term bank borrowings		
– Secured (a)	488,000	286,822
– Unsecured with guarantee (b)	129,800	246,950
– Guaranteed by companies within the Group	135,000	180,000
– Unsecured	2,310	2,810
Asset-backed securities	755,110	716,582
Less: current portion	(206,310)	(287,150)
	548,800	429,432
<b>Current liabilities</b>		
Short-term bank borrowings		
– Secured (a)	104,000	105,000
– Unsecured with guarantee (b)	1,743,800	1,680,000
– Guaranteed by companies within the Group	79,000	92,000
– Unsecured	1,368,545	1,115,366
Current portion of non-current liabilities	206,310	287,150
	3,501,655	3,279,516
Total bank and other borrowings	4,050,455	3,708,948

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

	2025 RMB'000	2024 RMB'000
Properties under development	847,269	338,278
Property, plant and equipment	350,002	224,616
Right-of-use for land use rights	433,670	284,528
	1,630,941	847,422

## 24 BANK AND OTHER BORROWINGS (CONTINUED)

(b) These loans were guaranteed by:

	2025 RMB'000	2024 RMB'000
The Company	1,863,600	1,916,950
The Company and non-controlling interests (jointly)	10,000	10,000
	<b>1,873,600</b>	1,926,950

(c) The weighted average interest rate of borrowings was 2.59% per annum (2024: 3.18% per annum). The fair values of the respective borrowings approximated their carrying amounts. All the carrying amounts of the borrowings were denominated in RMB.

(d) The principal amount of borrowings were repayable as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	3,501,655	3,279,516
Between 1 and 2 years	169,800	269,432
Between 2 and 5 years	221,000	80,000
Over 5 years	158,000	80,000
	<b>4,050,455</b>	3,708,948

(e) The exposure of borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	2025 RMB'000	2024 RMB'000
6 months or less	2,663,955	2,094,396
Between 6 and 12 months	1,336,500	1,185,120
Between 1 and 5 years	50,000	429,432
	<b>4,050,455</b>	3,708,948

(f) Loan covenants

There are no indications that the Group will face difficulties in complying with the loan covenants when they are next tested on the interim reporting date of 30 June 2026.

## 25 DEFERRED INCOME TAX

The amounts shown in the balance sheet included the following:

	2025 RMB'000	2024 RMB'000
Deferred tax assets:		
– To be recovered after more than 12 months	368,433	280,620
– To be recovered within 12 months	105,221	149,185
	<b>473,654</b>	429,805
Deferred tax liabilities:		
– To be settled after more than 12 months	(213,991)	(203,857)
– To be settled within 12 months	(12,903)	(62,501)
	<b>(226,894)</b>	(266,358)

For the year ended 31 December 2025, deferred tax assets and deferred tax liabilities within the same entity were offset by RMB83,134,000 (2024: RMB78,364,000).

The movement in deferred tax assets and liabilities during the year was as follows:

### Deferred tax assets

	Impairment of assets RMB'000	Unrealised profit resulting from intra-group transactions RMB'000	Prepaid income tax RMB'000	Fair value changes on financial assets RMB'000	Fair value changes on investment properties RMB'000	Total RMB'000
<b>1 January 2024</b>	270,768	83,977	51,479	923	37,664	444,811
Recognised in the income statement	(55,457)	(7,339)	34,427	(701)	14,064	(15,006)
<b>At both 31 December 2024 and 1 January 2025</b>	<b>215,311</b>	<b>76,638</b>	<b>85,906</b>	<b>222</b>	<b>51,728</b>	<b>429,805</b>
Recognised in the income statement	71,990	6,049	(33,968)	(222)	–	43,849
<b>At 31 December 2025</b>	<b>287,301</b>	<b>82,687</b>	<b>51,938</b>	<b>–</b>	<b>51,728</b>	<b>473,654</b>

**25 DEFERRED INCOME TAX (CONTINUED)****Deferred tax liabilities**

	Fair value changes on financial assets RMB'000	Fair value adjustment on assets upon acquisition RMB'000	Interest capitalised RMB'000	Fair value changes on investment properties RMB'000	Total RMB'000
<b>1 January 2024</b>	(123,842)	(6,882)	(97,489)	(87,140)	(315,353)
Recognised in the income statement	(765)	272	72,725	(24,412)	47,820
Recognised in other comprehensive income	1,174	–	–	–	1,174
<b>At both 31 December 2024 and 1 January 2025</b>	<b>(123,433)</b>	<b>(6,610)</b>	<b>(24,764)</b>	<b>(111,552)</b>	<b>(266,359)</b>
Recognised in the income statement	<b>193</b>	<b>272</b>	<b>12,380</b>	<b>(3,436)</b>	<b>9,409</b>
Recognised in other comprehensive income	<b>30,054</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>30,054</b>
<b>At 31 December 2025</b>	<b>(93,186)</b>	<b>(6,338)</b>	<b>(12,384)</b>	<b>(114,988)</b>	<b>(226,896)</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB383,302,000 (2024: RMB336,180,000) in respect of losses amounting to RMB1,571,594,000 (2024: RMB1,344,720,000) that can be carried forward against future taxable income. These tax losses will expire up to and including the year of 2030 (2024: 2029).

**26 OTHER INCOME**

	2025 RMB'000	2024 RMB'000
Interest income on		
– Financial assets held as investments	105,226	200,658
– Advances to project managers and joint ventures	45,423	46,934
	<b>150,649</b>	<b>247,592</b>

**27 OTHER LOSSES – NET**

	2025 RMB'000	2024 RMB'000
Demolition compensation	2,921	9,919
Government grants and compensation	26,030	57,548
Gains on disposal of financial assets at FVPL	446	74
Fair value losses from investment properties (Note 9)	(50,885)	(43,083)
Impairment loss on construction stone mining right (Note 8)	(157,588)	(38,432)
Fair value (losses)/gains of financial assets at FVPL	(761)	1,893
Gains/(losses) on disposal of property, plant and equipment	13,671	(5,313)
Gains on disposal of right-of-use for land (Note 7)	6,909	–
Donations	(1,071)	(11,594)
Net foreign exchange losses	(12,430)	(4,323)
Others	20,102	18,085
	<b>(152,656)</b>	<b>(15,226)</b>

## Notes to the Consolidated Financial Statements

### 28 EXPENSES BY NATURE

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

	2025 RMB'000	2024 RMB'000
Depreciation of property, plant and equipment (Note 6)	219,356	235,323
Depreciation of right-of-use assets (Note 7)	24,332	25,422
Employee benefit expenses (Note 29)	3,802,738	4,543,856
Cost of construction contracts	8,669,259	10,164,263
Cost of properties sold	4,478,415	4,347,257
Impairment on properties under development	13,627	11,195
Impairment on completed properties held for sale	186,450	139,339
Changes in inventories of finished goods and work in progress	80,228	(83,188)
Raw materials and consumables used	1,207,357	1,530,432
Operating leases of buildings	16,696	17,188
Auditors' remuneration		
– Audit services	4,123	4,160
– Non-audit services	94	120
Others	647,259	577,394
	<b>19,349,934</b>	<b>21,512,761</b>

**29 EMPLOYEE BENEFIT EXPENSES**

	2025 RMB'000	2024 RMB'000
Wages and salaries	4,743,543	5,658,270
Welfare, medical and other expenses	61,241	73,532
Retirement benefit costs – defined contribution plans (a)	49,435	53,728
	<b>4,854,219</b>	5,785,530
Less: capitalisation	<b>(1,051,481)</b>	(1,241,674)
	<b>3,802,738</b>	4,543,856

**(a) Retirement benefit costs**

As stipulated by the Government regulations in the PRC, the Group is required to contribute to the state-sponsored retirement scheme for all of its employees in the PRC. The state-sponsored retirement scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the monthly contributions. During the year ended 31 December 2025 and 2024, no forfeited contributions were utilised by the Group to reduce its contributions for the current year.

**(b) Five highest paid individuals**

For the year ended 31 December 2025, the five individuals whose emoluments were the highest in the Group for the year included four executive directors and one non-executive director (2024: four executive directors and one non-executive director), whose emoluments are reflected in the analysis presented in Note 40.

### 30 FINANCE COSTS – NET

	2025 RMB'000	2024 RMB'000
Finance costs:		
Interests on bank and other borrowings and lease liabilities	<b>86,596</b>	123,983
Less: interest capitalised in properties under development	<b>(53,432)</b>	(76,505)
Less: interest capitalised in constructions in progress	<b>(3,108)</b>	(9,505)
	<b>30,056</b>	37,973
Net foreign exchange losses/(gains)	<b>10,466</b>	(5,196)
	<b>40,522</b>	32,777
Finance income:		
Interest income from financial assets held for cash management purposes	<b>(16,663)</b>	(17,949)
Finance costs – net	<b>23,859</b>	14,828

The capitalisation rate applied to funds borrowed generally, used for the development of properties and constructions in progress was approximately 2.85% per annum (2024: 3.54% per annum).

### 31 INCOME TAX EXPENSES

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

	2025 RMB'000	2024 RMB'000
Current income tax		
– PRC CIT	195,183	303,366
– Land appreciation tax	151,152	230,783
	<b>346,335</b>	534,149
Deferred income tax		
– PRC CIT	(56,506)	(56,677)
	<b>289,829</b>	477,472

#### (a) Hong Kong profits tax

No provision for Hong Kong profits tax was made as the Group had no assessable profit for the year (2024: nil).

#### (b) PRC corporate income tax

PRC Corporate Income Tax ("CIT") is provided on the assessable income of the Group's entities incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC.

Certain subsidiaries of the Group in the PRC have been approved as High and New Technology Enterprise and were entitled to a preferential CIT rate of 15% during their respective approved periods according to the applicable CIT law.

Save as aforesaid, the Company and other major subsidiaries were subject to CIT at a rate of 25% (2024: 25%).

### 31 INCOME TAX EXPENSES (CONTINUED)

#### (c) PRC land appreciation tax

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

The tax on the Group's profit before tax differed from the theoretical amount that would arise using the PRC income tax rate as follows:

	2025 RMB'000	2024 RMB'000
Profit before income tax	581,490	978,715
Add/(less): share of results of joint ventures	(6,301)	(35,562)
share of results of associates	9,440	2,723
Impairment of investments accounted for using the equity method	64,700	–
	<b>649,329</b>	945,876
Calculated at a tax rate of 25% (2024: 25%)	162,332	236,469
Effects of different tax rates applicable to different subsidiaries of the Group	(17,581)	(17,908)
Income not subject to tax	(2,693)	(2,507)
Expenses not deductible for tax purposes	5,239	6,050
Unrecognised tax losses	106,887	124,362
Utilisation of previously unrecognised tax losses	(77,719)	(42,081)
Land appreciation tax deductible for CIT purpose	(37,788)	(57,696)
	<b>138,677</b>	246,689
PRC land appreciation tax	151,152	230,783
Income tax expenses	<b>289,829</b>	477,472

### 31 INCOME TAX EXPENSES (CONTINUED)

#### (d) OECD Pillar Two model rules

In December 2021, the Organisation for Economic Co-operation and Development (“OECD”) published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS, hereafter referred to as the “OECD Pillar Two model rules”.

The rules are designed to ensure that large multinational enterprises within the scope of the rules pay a minimum level of tax on the income arising in a specific period in each jurisdiction where they operate. In general, the rules apply a system of top-up taxes that brings the total amount of taxes paid on an entity’s excess profit in a jurisdiction up to the minimum rate of 15%.

In certain jurisdictions where the Group operates, the rules have been implemented starting from 2025. And there is no material impact to the Group based on the management’s assessment.

### 32 EARNINGS PER SHARE

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

	2025	2024
Profit attributable to owners of the Company (RMB’000)	289,644	409,907
Weighted average number of ordinary shares in issue during the year (thousands shares)	520,663	520,663
Basic earnings per share (RMB yuan)	0.56	0.79

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

### 33 DIVIDENDS

The board of directors recommended the payment of a final dividend of RMB0.085 per ordinary share for the year ended 31 December 2025 (2024: RMB0.12 per ordinary share). These proposed dividends are subject to the approval by the shareholders of the Company at the Annual General Meeting scheduled to be held on 18 June 2026 and are not reflected as dividend payable in these consolidated financial statements.

On 28 March 2025, the Board recommended the payment of a final dividend of RMB0.12 per share for the year ended 31 December 2024 (2023: nil) out of the retained earnings for the Company, which was approved by the shareholders of the Company at the annual general meeting held on 13 June 2025. The said dividend has been fully distributed during 2025.

## Notes to the Consolidated Financial Statements

### 34 CASH FLOW INFORMATION

#### (a) Cash generated from operations

	2025 RMB'000	2024 RMB'000
Profit for the year	291,661	501,243
Adjustments for:		
Income tax expenses (Note 31)	289,829	477,472
Depreciation of property, plant and equipment (Note 6)	219,356	235,323
Depreciation of right-of-use assets (Note 7)	24,332	25,422
Disposal of right-of-use for land use rights (Note 7)	(5,410)	–
Depreciation of the construction stone mining right (Note 8)	3,381	–
(Reversal)/provision for impairment losses on financial assets and contract assets (Note 3.1(b))	(78,461)	97,617
Impairment losses on construction stone mining right (Note 8)	157,588	38,432
Impairment on properties under development (Note 14)	13,627	11,195
Impairment on completed properties held for sale (Note 15)	186,450	139,339
(Gains)/losses on disposal of property, plant and equipment (Note 27)	(13,671)	5,313
Demolition compensation (Note 27)	(2,921)	(9,919)
Fair value losses from investment properties (Note 27)	50,885	43,083
Fair value losses/(gains) of financial assets at FVPL (Note 27)	761	(1,893)
Gains on disposal of financial assets at FVPL (Note 27)	(446)	(74)
Interest income (Note 26)	(150,649)	(247,592)
Share of results of joint ventures (Note 11(a))	(6,301)	(35,562)
Share of results of associates (Note 11(b))	9,440	2,723
Impairment of investments accounted for using the equity method (Note 11(a))	64,700	–
Changes in working capital:		
Properties under development and completed properties held for sale	2,101,130	2,496,603
Restricted bank deposits	(41,130)	(74,695)
Inventories	130,468	(90,614)
Contract assets	1,235,418	2,024,324
Trade and other receivables	(916,936)	(2,224,231)
Contract liabilities	(2,098,213)	(2,747,372)
Trade and other payables	(1,293,589)	196,634
Cash generated from operations	171,299	862,771

**34 CASH FLOW INFORMATION (CONTINUED)****(b)** Disposals of property, plant and equipment comprised:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment		
Net book amounts (Note 6)	<b>97,933</b>	31,830
Gains/(losses) on disposals (Note 27)	<b>13,671</b>	(5,313)
Proceeds	<b>111,604</b>	26,517

**(c) Net cash reconciliation**

Table below presents an analysis of net cash during 2025 and 2024.

	2025 RMB'000	2024 RMB'000
Cash and cash equivalents	<b>6,468,851</b>	8,009,474
Term deposits with initial term of over three months	<b>1,973,120</b>	832,376
Restricted bank deposits	<b>1,290,062</b>	1,248,932
Borrowings – repayable within one year	<b>(3,501,655)</b>	(3,279,516)
Borrowings – repayable after one year	<b>(548,800)</b>	(429,432)
<b>Net cash</b>	<b>5,681,578</b>	6,381,834
Cash and bank balances	<b>9,732,033</b>	10,090,782
Gross debt – fixed interest rates	<b>(3,113,655)</b>	(3,117,998)
Gross debt – variable interest rates	<b>(936,800)</b>	(590,950)
<b>Net cash</b>	<b>5,681,578</b>	6,381,834

## Notes to the Consolidated Financial Statements

### 34 CASH FLOW INFORMATION (CONTINUED)

(d) The reconciliation of liabilities arising from financial activities was as follows:

	Borrowings RMB'000	Other payables – amounts due to non- controlling interests RMB'000	Lease liabilities RMB'000	Total RMB'000
<b>At 1 January 2024</b>	3,544,043	486,597	13,975	4,044,615
Cash flows				
– Outflow from financial activities	(4,148,271)	–	(2,764)	(4,151,035)
– Inflow from financial activities	3,263,810	–	–	3,263,810
Acquisition of new lease contracts	–	–	(107)	(107)
<b>At 31 December 2024</b>	2,659,582	486,597	11,104	3,157,283
<b>At 1 January 2025</b>	<b>2,659,582</b>	<b>486,597</b>	<b>11,104</b>	<b>3,157,283</b>
Cash flows				
– Outflow from financial activities	(4,230,838)	–	(2,099)	(4,232,937)
– Inflow from financial activities	4,572,345	–	–	4,572,345
Acquisition of new lease contracts	–	–	–	–
<b>At 31 December 2025</b>	<b>3,001,089</b>	<b>486,597</b>	<b>9,005</b>	<b>3,496,691</b>

### 35 FINANCIAL GUARANTEES

	2025 RMB'000	2024 RMB'000
Guarantees given to banks in respect of mortgage facilities granted for certain purchasers (a)	889,986	1,308,906
Guarantees to an associate and a joint venture in respect of borrowings (b)	99,980	49,980
	<b>989,966</b>	<b>1,358,886</b>

(a) The Group provided guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of property developed by the Group. The banks will release such guarantees upon the delivery of the building ownership certificates of such properties to banks as securities.

(b) These mainly represented the maximum exposure of the guarantees provided for borrowings of an associate and a joint venture.

**36 COMMITMENTS****(a) Commitments for capital expenditure**

	2025 RMB'000	2024 RMB'000
Contracted but not provided for Property, plant and equipment	<b>258,949</b>	295,469

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

As at 31 December 2025, the Group had future aggregate minimum lease receivable under non-cancellable operating leases in respect of investment properties, building and plants, and machinery, details of which were as follows:

	2025 RMB'000	2024 RMB'000
Not later than 1 year	<b>112,685</b>	108,337
Later than 1 year and not later than 5 years	<b>172,708</b>	232,485
Later than 5 years	<b>27,786</b>	29,354
	<b>313,179</b>	370,176

The Group leased investment properties, building, plants and machinery and completed properties held for sale under various agreements which will terminate between 2024 and 2039. The agreements do not include any extension option.

**(c) Commitments for investments**

	2025 RMB'000	2024 RMB'000
Investments in joint ventures	<b>53,718</b>	72,500

### 37 RELATED-PARTY TRANSACTIONS

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

#### (a) Transactions with joint ventures

	2025 RMB'000	2024 RMB'000
Sales of goods	56,630	84,906
Provide construction services	952	2,415
Rental income	1,324	2,951
Purchase of building materials	41,707	120,017
Purchase of technical consulting services	17,794	19,198

#### (b) Key management compensation

Key management of the Group were the directors and supervisors, whose compensation has been disclosed in Note 40.

#### (c) Balances with joint ventures

	2025 RMB'000	2024 RMB'000
Included in:		
Trade receivables	25,641	56,944
Trade payables	94,094	113,604

### 38 ACQUISITION OF A SUBSIDIARY

In July 2025, the Group acquired 30% equity interest in an existing joint venture of the Group, Wuhan Dexin, from Wuhan Dexin Zhiyuan Real Estate Co., Ltd. (武漢德信致遠置業有限公司, "Dexin Zhiyuan"), another shareholder of Wuhan Dexin. Upon completion of the acquisition, Wuhan Dexin becomes a wholly owned subsidiary of the Group. The directors of the Company applied the optional concentration test as prescribed by HKFRS 3 "Business Combination" and concluded that the acquired set of activities and assets of Wuhan Dexin does not constitute a business. Accordingly, the acquisition was accounted for as an asset acquisition and the consideration was allocated identifiable to the individual assets acquired and liabilities assumed of Wuhan Dexin at the acquisition date.

The assets and liabilities recognised as a result of the acquisition are as follows:

	2025 RMB'000
Purchase consideration	
– Investments in a joint venture	–
– Settled by the offset of the amounts due from Dexin Zhiyuan	7,710
<b>Total consideration</b>	<b>7,710</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	31,062
Completed properties held for sale	396,835
Trade and other receivables	3,901
Property, plant and equipment	3
Trade and other payables	(424,091)
<b>Net assets acquired</b>	<b>7,710</b>
Payments of acquisition of subsidiaries, net of cash acquired	
– Cash and cash equivalents of the subsidiaries acquired	31,062
– Cash paid	–
<b>Net cash inflow on an acquisition</b>	<b>31,062</b>

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

		As at 31 December	
	Note	2025	2024
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,203	6,640
Right-of-use assets		2,293	2,527
Investments in subsidiaries		1,709,180	1,709,180
Investments accounted for using the equity method		220,076	197,139
Financial assets at fair value through other comprehensive income		615,451	664,640
		<b>2,552,203</b>	2,580,126
<b>Current assets</b>			
Amounts due from subsidiaries		–	127,734
Other receivables and prepayments		53,592	58,604
Cash and cash equivalents		480,038	319,144
		<b>533,630</b>	505,482
<b>Total assets</b>		<b>3,085,833</b>	3,085,608
<b>EQUITY</b>			
Share capital and premium		889,722	889,722
Other reserves	(a)	631,487	722,175
Retained earnings	(a)	1,237,044	1,300,880
<b>Total equity</b>		<b>2,758,253</b>	2,912,777
<b>LIABILITIES</b>			
Deferred income tax liabilities		77,636	108,093
<b>Current liabilities</b>			
Amounts due to subsidiaries		190,512	–
Other payables		56,429	61,959
Current income tax liabilities		3,003	3,003
		<b>249,944</b>	64,962
<b>Total liabilities</b>		<b>327,580</b>	173,055
<b>Total equity and liabilities</b>		<b>3,085,833</b>	3,085,832

The balance sheet of the Company was approved by the Board of Directors on 27 March 2026 and was signed on its behalf.

**Mr. Pang Baogen**  
Director

**Mr. Wang Rongbiao**  
Director

### 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

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

	Other reserves		Retained earnings	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
<b>At 1 January</b>	<b>722,175</b>	730,458	<b>1,300,880</b>	1,151,372
Profit for the year	–	–	<b>(1,361)</b>	149,865
Transfer to statutory surplus reserve	–	357	–	(357)
Dividends to shareholders	–	–	<b>(62,475)</b>	–
Revaluation of financial assets at FVOCI, net of tax	<b>(90,688)</b>	(8,640)	–	–
<b>At 31 December</b>	<b>631,487</b>	722,175	<b>1,237,044</b>	1,300,880

## 40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

### (a) Directors', supervisors' and chief executive's emoluments

The remuneration of each director and supervisor for the year ended 31 December 2025 was set out below:

	Fees RMB'000	Salaries, bonuses and allowances RMB'000	Contribution to a retirement benefit scheme RMB'000	Total RMB'000
<i>Chairman and non-executive director</i>				
Mr. Pang Baogen	100	1,400	–	1,500
<i>Executive directors</i>				
Mr. Gao Lin	100	776	29	905
Mr. Gao Jun	100	700	17	817
Mr. Jin Jixiang	100	700	29	829
Mr. Xu Gang	100	700	29	829
Mr. Wang Rongbiao	100	700	29	829
Mr. Xia Feng	100	700	106	906
<i>Independent non-executive directors</i>				
Mr. Li Wangrong	50	–	–	50
Ms. Liang Jing	50	–	–	50
Mr. Xiao Jianmu	50	–	–	50
Mr. Fung Ching, Simon	216	–	–	216
<i>Supervisors</i>				
Mr. Sun Yuguang	–	600	29	629
Mr. Kong Xiangquan	–	144	–	144
Mr. Wang Jianguo	–	700	29	729
	1,066	7,120	297	8,483

## 40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

### (a) Directors', supervisors' and chief executive's emoluments (continued)

The remuneration of each director and supervisor for the year ended 31 December 2024 was set out below:

	Fees RMB'000	Salaries, bonuses and allowances RMB'000	Contribution to a retirement benefit scheme RMB'000	Total RMB'000
<i>Chairman and non-executive director</i>				
Mr. Pang Baogen	100	1,400	–	1,500
<i>Executive directors</i>				
Mr. Gao Lin	100	750	29	879
Mr. Gao Jun	100	700	17	817
Mr. Jin Jixiang	100	700	27	827
Mr. Xu Gang	100	700	27	827
Mr. Wang Rongbiao	100	700	27	827
Mr. Xia Feng	100	700	76	876
<i>Independent non-executive directors</i>				
Mr. Li Wangrong	50	–	–	50
Ms. Liang Jing	50	–	–	50
Mr. Xiao Jianmu	50	–	–	50
Mr. Fung Ching, Simon	216	–	–	216
<i>Supervisors</i>				
Mr. Sun Yuguang	–	600	27	627
Mr. Kong Xiangquan	–	144	–	144
Mr. Wang Jianguo	–	720	27	747
	1,066	7,114	257	8,437

## 40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

### (a) Directors', supervisors' and chief executive's emoluments (continued)

During the years ended 31 December 2025 and 2024, no director and supervisor waived any emoluments. Neither incentive payment for joining the Group nor compensation for loss of office was paid or payable to any directors and supervisors during the years ended 31 December 2025 and 2024.

Salary paid to a director of the Company is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries.

### (b) Individuals with highest emoluments

Of the 5 individuals with the highest emoluments for the years ended 31 December 2025 and 2024, all of them are directors during the year whose emoluments are disclosed in note 40(a).

### (c) Directors' and supervisors' retirement benefits

No retirement benefits were paid to or receivable by directors and supervisors during the year by the Group.

### (d) Directors' and supervisors' termination benefits

No director's and supervisor's termination benefit subsisted at the end of the year or at any time during the year.

### (e) Consideration provided to third parties for making available directors' and supervisors' services

No consideration provided to third parties for making available directors' and supervisors' services subsisted at the end of the year or at any time during the year.

### (f) Information about loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors

No loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors subsisted at the end of the year or at any time during the year.

### (g) Directors' and supervisors' material interests in transactions, arrangements or contracts

Save as disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 41 SUMMARY OF OTHER ACCOUNTING POLICIES

### 41.1 Principles of consolidation and equity accounting

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 41.2).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 41.1(d)), after initially being recognised at cost.

(c) *Joint arrangements*

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures only.

Interests in joint ventures are accounted for using the equity method (Note 41.1(d)), after initially being recognised at cost in the consolidated balance sheet.

## 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

### 41.1 Principles of consolidation and equity accounting (continued)

(d) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 41.8.

(e) *Changes in equity interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRS Accounting Standards.

## 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

### 41.1 Principles of consolidation and equity accounting (continued)

(e) *Changes in equity interests (continued)*

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### 41.2 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

### **41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)**

#### **41.2 Business combination (continued)**

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Concentration test as prescribed by HKFRS 3 "Business Combination" has been applied by the Group to consider whether the set of activities and assets of subsidiaries acquired are individually businesses. If the fair value of total net assets acquired substantially equals to the fair value of an identifiable asset acquired, the transaction would be accounted for as asset acquisition instead of business acquisition. The consideration is then directly allocated to the individual identifiable assets acquired and liabilities assumed.

#### **41.3 Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### **41.4 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

## 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

### 41.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statements within "Finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "Other (losses)/gains – net".

(c) *Group companies*

The results and consolidated balance sheet of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

### **41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)**

#### **41.6 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 41.8).

Construction in progress represents the direct costs of construction incurred in property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time that the relevant assets are completed and available for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

#### **41.7 Investment properties**

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in 'Other (losses)/gains – net'.

If an item of properties under development or completed properties held for sale becomes an investment property because its use has changed, any difference between the fair value of the property at that date and its previous carrying amount is recognised in 'Other (losses)/gains – net'.

## 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

### 41.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered from impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 41.9 Financial assets

#### (a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

## 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

### 41.9 Financial assets (continued)

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "Other income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other (losses)/gains – net", together with foreign exchange gains and losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other (losses)/gains – net". Interest income from these financial assets is included in "Other income" using the effective interest rate method.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other (losses)/gains – net" in the period in which it arises.

## 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

### 41.9 Financial assets (continued)

(c) *Measurement (continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as "Other (losses)/gains – net" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) *Impairment of financial assets*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

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

Impairment on other receivables, loans to joint ventures and associates are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

### 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

#### 41.9 Financial assets (continued)

(e) *Write-off of financial assets*

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- The Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off;
- The Group has exhausted all practical debt collection remedies, including legal action, and has concluded that the cost of further action outweighs the potential recovery;
- The debtor has been declared bankrupt or has entered into a formal insolvency process, and the expected recovery from the liquidation or restructuring is negligible;

#### 41.10 Intangible assets

(a) *Goodwill*

Goodwill is measured as described in Note 41.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(b) *Construction stone mining right*

Construction stone mining right is stated at cost less accumulated amortisation and impairment losses and are amortised based on the units of production method utilising only recoverable construction stone reserve as the depletion base, unless the construction stone mining right is classified as held for sale (or included in a disposal group that is classified as held for sale). The historical cost of construction stone mining right comprises of the cost to acquire the mining right for a period of 23 years and other expenditure that is directly attributable to the acquisition of the mining right.

## 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

### 41.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 41.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted to use are included in "restricted bank deposits" of the consolidated balance sheet. Restricted bank deposits are excluded from cash and cash equivalents.

### 41.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's owners.

### 41.14 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognised as deferred income, and recognised in the profit or loss over the periods in which the related costs are incurred; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised in the profit or loss.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### **41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)**

#### **41.15 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **41.16 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### **41.17 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differences between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

## 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

### 41.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

### 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

#### 41.18 Current and deferred income tax (continued)

(b) *Deferred income tax (continued)*

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Oneland or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

#### 41.19 Pension obligations

The Group contributes to defined contributions retirement schemes organised and administered by the governmental authorities which are available to all employees in the PRC. Contributions to the schemes by the Group are calculated as a percentage of employees' basic salaries.

The government authorities undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the schemes described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

The Group's contributions to the above defined contributions retirement scheme are expensed as incurred.

## **41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)**

### **41.20 Interest income**

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of other income.

Interest income is presented as finance income where is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### **41.21 Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

#### 41.22 Leases

Leases of property, plant and equipment are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. In addition, leases of land are recognised as right-of-use for land.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

## 41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

### 41.22 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

### **41 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)**

#### **41.22 Leases (continued)**

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture. Cash payments for the principal portion of the lease liabilities are presented as cash flows from financing activities and cash payments for the interest portion are consistent with presentation of interest payments.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

#### **41.23 Dividend distribution**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### **41.24 Financial guarantee contracts**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9, 'Financial Instruments' and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

# GLOSSARY

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

Anhui Baoye	Baoye Anhui Company Limited, a subsidiary of the Company
Baoye Construction	Zhejiang Baoye Construction Group Company Limited, a subsidiary of the Company
Baoye Industrialisation	Zhejiang Baoye Building Materials Industrialisation Company Limited, a subsidiary of the Company
Baoye Real Estate	Zhejiang Baoye Real Estate Group Company Limited, a subsidiary of the Company
Board	The Board of Directors of the Company
Building Materials Business	The activities of research and development, production and sale of building materials conducted by the Group
CG Code	The Corporate Governance Code contained in Appendix C1 to the Listing Rules
Company Law	Company Law of the People's Republic of China
Construction Business	The activities of undertaking and implementation of construction projects conducted by the Group
Director(s)	The director(s) of the Company
H share	Overseas listed foreign share of nominal value RMB1.00 each in the registered capital of the Company, which are listed on the Stock Exchange and subscribed for in HK dollars
HKAS	Hong Kong Accounting Standard
HKEX	Hong Kong Exchanges and Clearing Limited
HKFRS	Hong Kong Financial Reporting Standards
Hubei Baoye	Baoye Hubei Construction Group Company Limited, a subsidiary of the Company

## Glossary

Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
PRC	People's Republic of China
Property Development Business	The activities of development of real estate conducted by the Group
SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	The Supervisor(s) of the Company
Supervisory Committee	The Supervisory Committee of the Company
The Company/Baoye	Baoye Group Company Limited, a joint stock limited company incorporated in the PRC and listed on the main board of the Stock Exchange
The Group/Baoye Group	The Company and its subsidiaries
Unlisted share	Unlisted share in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which were subscribed for in RMB



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