



BAOYE GROUP ANNOUNCES 2005 ANNUAL RESULTS
TURNOVER INCREASES 8% TO RMB4.72 BILLION
PROFIT ATTRIBUTABLE TO SHAREHOLDERS RISES 11% TO RMB304 MILLION
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STRENGTHENS EXISTING MARKETS
BUILDS “BAOYE” BRAND
ACTIVELY EXPLORES OTHER PROVINCIAL MARKETS

Financial Highlights

	For the year ended 31 December		Change
	2005	2004	
	RMB'000	RMB'000	
		(Restated)	
Turnover	4,723,797	4,378,434	↑8%
Operating profit	450,512	436,712	↑3%
Profit attributable to shareholders	304,226	275,082	↑11%
Basic Earnings per share (RMB)	0.537	0.518	↑4%

(Hong Kong, 9 April 2006) – Baoye Group Company Limited (“Baoye Group” or “the Group”) (Stock Code: 2355), a leading construction enterprise in the PRC, announced its 2005 annual results.

In 2005, the Group’s turnover amounted to RMB4.72 billion, an increase of 8% over that in 2004. Profit attributable to shareholders was RMB304 million, representing an increase of 11%. Basic earnings per share rose 4% to RMB0.537. The board of directors recommends payment of a final dividend of RMB0.12 per share for the year ended 31 December 2005.

Mr. Pang Baogen, Chairman of Baoye Group, said, “The Chinese government’s macroeconomic austerity measures affected the overall performance of the construction industry, but at the same time has put in better order. I am pleased and proud that Baoye Group, a pioneer in the Chinese construction industry, achieved favourable results in 2005. The government’s measures have presented the industry with opportunities for merger, acquisition and consolidation. These opportunities will not only allow the Group to strengthen the foundation of its construction, property development and building materials businesses, but will also steer the entire industry on to a healthy and stable development path.”

In 2005, construction business contributed revenue of RMB3.524 billion and profit of RMB207 million to the Group, representing a growth of 4% and 2% respectively. The Chinese government’s macroeconomic austerity measures prompted banks to tighten credit lines in 2005, and as a result the Group had to slow down some of its construction projects. Since the Group recognizes revenue by percentage of completion method, the Group’s construction business only registered a marginal growth in 2005 as compared with 2004. For the year ended 31 December 2005, the Group’s total contract value of construction-in-progress was RMB12 billion, 46% more than that in the previous year. In 2005, 382 new projects were secured, with total value amounting to RMB7 billion, representing a growth of 13% over the previous year.

During the year, the Group expanded its construction business to three new markets, namely Tianjin, Zhengzhou and Nanchang. The Group’s construction business extended its reach outside Zhejiang Province to such cities and regions as Shanghai, Beijing, Tianjin, Jiangsu, Hubei, Anhui, Henan and Jiangxi, which together accounted for more than 58% (2004: 36%) of the turnover of the construction business segment. Value of contracts for projects in Shanghai surged 146% to RMB4.54 billion.

Mr. Pang continued, “We established Baoye Group Hubei Company Limited in Wuhan, Hubei Province last year and in February acquired the entire interests in Hubei Construction Group at a total consideration of approximately RMB133 million, in an attempt to expedite its business expansion to Hubei Province and the entire Central China region. During the year, we also undertook a large number of landmark construction projects, including the construction of Shanghai Development Tower, the basketball stadium for the Beijing Olympics, the Nanjing International Finance Centre and Zhejiang Centre for Disease Control and Prevention, in a bid to enhance the Group’s reputation in other provincial markets and expedite its construction business in such markets.”

In the year under review, the turnover of the Group's property development business increased 11% to RMB546 million and its profit contribution was RMB125 million. The revenue of the Group's property development business were mainly attributable to the Yulan Huating project located in the urban area of Shaoxing and the City Gardens Phase III project located in Shaoxing's Keqiao region, which contributed RMB374 million and RMB164 million respectively to the Group's turnover in 2005. Their average selling price per square metre was 6% higher than that when they were initially launched. As at 31 December 2005, the Group's projects under development included City Green Garden Phase I and Zhejiang Commercial City in Hefei, Jing'an Ziyuan in Shanghai and the Four Seasons Garden in Shaoxing. As at the end of December 2005, a total of 65,000 square metres of City Green Garden Phase I were pre-sold, at the average selling price per square metre of RMB3,300 and, as at the end of March 2006, an accumulated total of 74,000 square metres was sold.

The Group's building materials business achieved a turnover of RMB621 million and realized a profit of RMB88.79 million, up 34% and 39% respectively from the previous year. During the year, the Group received growing industry recognition for its pre-fabricated building materials. By expanding production scale for economies of scale benefits, the Group was able to mitigate the adverse impact of escalating raw material and energy costs on profitability of the segment to achieve satisfactory growth. The sales of steel structure products, in particular, rocketed 1,184% to RMB72.2 million.

On 8 March 2006, the Group entered into a cooperation agreement with Japan's Daiwa House Industry Co., Ltd. ("Daiwa House") to form a 10-year strategic alliance to develop technology for manufacturing industrialized residential units. The partnership will help to boost the Group's technical know-how in the manufacture of industrialized residential units, giving it the role of setting the standard of pre-fabricated building materials in China. It also paves the way for possible further co-operation and joint venture between the Group and Daiwa House in the future.

The net proceeds of RMB366 million from the two placings of new H shares in 2005 not only enhanced the Group's financial strength, but also significantly improved its net gearing ratios from 39% as at 31 December 2004 to 14.4% in the period under review.

Commenting on the Group's future development, Mr. Pang stated, "For Baoye Group, with construction business as its principal business, the Chinese government's macroeconomic austerity measures has presented it with opportunities for development. We will continue to consolidate the markets in Jiangsu, Zhejiang and Shanghai and maintain our market share in Eastern China; to quickly expand our construction business in Central China from our bases in Wuhan and Hefei; to land new markets in Northern China spreading out from Beijing and Tianjin, and at the same time to undertake strategic restructuring and seek opportunities of acquisition of quality construction companies outside Zhejiang Province. These initiatives will facilitate the expansion of the Group's construction business into other first tier cities with robust economies and sizeable populations. For our property development business, we will develop our existing land reserves and improve the quality and outlook designs of our properties to build "Baoye" into a prestigious brand. For the building materials business, we will continue to step up development and production of environmental friendly and energy saving building materials and enhance the technology content of building material products. Such moves are in line with the Chinese government's policy to promote an environmentally friendly and energy-saving society. We will also seek to speed up growth of our building materials business as the same time as we embark on construction and property development projects in areas outside Zhejiang province.

"In conclusion, we believe that as the Chinese economy continues to grow strongly, the pace of urbanization will speed up, and that the transformation of the Chinese construction industry in scope and operational mode is an irreversible trend. These developments are presenting tremendous room for development for the Chinese construction industry. Capitalizing on Baoye Group's expertise in industrialized construction and its well known "Baoye" brand, we will be able to seize market opportunities, enhance our core competitiveness, and accelerate growth and increase profitability, thus create more remarkable returns to our shareholders."

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About Baoye Group Company Limited

Baoye Group was established in 1975 and specializes in implementation of construction projects; undertaking research and development, manufacture and sale of building materials; and property development in Zhejiang Province and the Yangtze River Delta region. The Group is one of the few large-scale construction groups in the PRC that operates one-stop construction business. Based on a “vertically integrated” operation model, the Group has successfully established the “Baoye” brand and has become one of the most efficient construction enterprises in the PRC.

The Group also obtained its premium class certificate for general building construction contracting works (房屋建築工程施工總承包特級資質) in 2002, the highest qualification awarded by the Ministry of Construction of the PRC, allowing the Group to undertake construction projects of any scale and complexity. In addition, the Group has received many of construction industry honors, including the “Lu Ban Award” (中國建築工程魯班獎), and the “Qianjiang Cup” (錢江杯) and “Bai Yulan Cup” (白玉蘭杯).

Baoye ventured into the building materials and other construction products businesses in 1994. It built the Baoye Residential Industry (Building Materials) Park in Kexi Industrial Park in Keqiao Economic Development Zone, Shaoxing, Zhejiang, which will focus on developing building materials that are cost effective and meet the country’s energy saving and environmental protection requirements. Currently Baoye is constructing another building materials park in Hefei.

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