



BAOYE GROUP ANNOUNCES 2005 INTERIM RESULTS
TURNOVER INCREASES 14% TO RMB2.55 BILLION
PROFIT ATTRIBUTABLE TO SHAREHOLDERS SURGES 17% TO RMB177 MILLION

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CAPITALIZING ON BOOMING ECONOMY AND URBANIZATION DEVELOPMENT
ENHANCING SYNERGIES AMONG THE GROUP'S THREE CORE BUSINESSES

Financial Highlights

	For the six months ended		Change
	2005	2004	
	RMB'000	RMB'000	
Turnover	2,550,957	2,245,116	↑14%
Operating profit	264,039	233,779	↑13%
Profit attributable to shareholders	176,659	151,170	↑17%
Basic Earnings per share (RMB)	0.31	0.28	↑11%

(Hong Kong, 28 August 2005) – Baoye Group Limited (“Baoye Group” or “the Group”) (Stock Code: 2355), a leading construction enterprise in the PRC, announced its 2005 interim results on 26 June 2005.

In the first half of 2005, the Group’s turnover amounted to RMB2,551 million, an increase of 14% over the same period in 2004. Profit attributable to shareholders was RMB177 million, representing an increase of 17%. Basic earnings per share rose 11% to RMB0.31. The Board of Directors does not recommend the payment of an interim dividend for the 6 months ended 30 June 2005.

Mr. Pang Baogen, Chairman of Baoye Group, said, “Despite these macroeconomic control measures, the Group still managed to capture business opportunities generated from increases in urbanization in China to strengthen its three core businesses, leveraging on its well-established foundation in the construction industry, and achieved favourable growth I am pleased with the favourable results we achieved. We believe the government’s measures will raise further the entry barriers to the construction, building materials and property sectors and help to standardize market operation, thus present the industries with favourable mergers and acquisitions and restructuring opportunities. They will allow the Group to foster its industry standing and development in the long run. ”

In the first half year of 2005, construction business contributed revenue of RMB1.69 billion and profit of RMB74.7 million to the Group. Construction contract values rocketed 53% to RMB10.1 billion as compared with the same period in 2004, and 170 projects of total worth RMB2.97 billion were obtained, a 6% rise over the same period in 2004.

During the review period, the Group further consolidated its market presence in Zhejiang and Shanghai, and aggressively explored markets in central and northern China. Breakthroughs were achieved in the construction markets in Shandong, Jiangxi and Tianjin, and in Tianjin particularly, the Group won three projects of total value amounted to RMB170 million.

Mr. Pang continued, “The Group will continue to strengthen its existing markets, and further explore markets in central and northern China including actively pursue co-operation, acquisition and reorganization opportunities. The Company has identified a state-owned construction group in Wuhan, and negotiation is progress. With rich experiences and strong know-how and reputation in the construction market, construction business will continue to be a significant profit contributor of the Group in the future.”

As for the property development business, a large majority of the Group’s property development projects are located in second tier cities in China’s developed regions where signs of overheated real estate markets are not obvious. During the period, the turnover from property development soared 99% to RMB528 million and the segmental profit amounted to RMB117 million. The achievement of the Group’s property development business was primarily attributable to the City Garden Phase III project and Yulan Huating Project, both in Shaoxing. They contributed RMB140 million and RMB370 million respectively to the Group’s turnover.

Regarding projects under development, the multi-storey residential buildings of the City Green Garden development project in Hefei, Anhui, have been topped off, and the low rise and high rise buildings are expected to be completed by the end of this year and the middle of next year respectively. The total of 348 residential units for pre-sale were all sold at an average selling price of RMB 3,300 per square metre.

The Group's prefabricated building materials match state environmental protection and energy saving concepts. And the industrial production of these materials and the edges brought out at the Group's internal integration efforts have begun to bear fruits. For the six months ended 30 June 2005, the Group's prefabricated building materials business achieved a turnover of RMB286 million, representing a growth of 29% over the same period last year, and its profit contribution stood at RMB 14.2 million.

During the period, the Group received several significant contracts of prefabricated building materials, including a RMB130 million order of glass curtain wall for the Zhejiang Electric Power Building (浙江省電力大廈), and a RMB100 million order of decoration and wood-based products.

Commenting on the Group's future development, Mr. Pang said with confidence, "We believe, amid the critical transformation of China's construction industry from "construction-focused to manufacturing-focused", as a pioneer in the "industrialization of China's building materials", the Group will fully engage in developing high quality prefabricated building materials that are cost-effective and environmental friendly. We will continue to expand our building materials business, actively pursue feasible opportunities to co-operate with leading players in the international market. Furthermore, we will enhance the synergies among our prefabricated buildings materials, construction and property development businesses to strengthen our core competitive edges, hence create greater returns to 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 real estate 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 Zhejiang Province.

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 prefabricated building materials that are cost effective and meet the country’s energy saving and environmental protection requirements.

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