



寶業集團股份有限公司

BAOYE GROUP COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(stock code: 2355)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

FINANCIAL HIGHLIGHTS

- Turnover was RMB4,378,434,000, representing an increase of 46% over the previous year.
- Profit attributable to shareholders was RMB275,082,000, representing an increase of 145% over the previous year.
- Basic earnings per share was RMB0.518, representing an increase of 103% over the previous year.
- Proposed final dividend amounted to RMB0.1436 per share, representing an increase of 126% over the previous year.
- Net assets value reached RMB1,054,064,000, representing an increase of 29% over the previous year.
- Based on the closing share price of HK\$4.80 on 1 April 2005, the profit earnings ratio is approximately 9.8 times.

The board ("Board") of directors (the "Directors") of Baoye Group Company Limited ("Baoye" or "the Company") is pleased to announce the audited results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2004 together with comparative figures for the corresponding period in 2003 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT (AUDITED)

	Note	For the year ended 31 December	
		2004 RMB'000	2003 RMB'000
Turnover	2	4,378,434	2,994,472
Cost of sales		(3,916,308)	(2,741,720)
Gross profit		462,126	252,752
Other revenues and income	2	68,072	43,557
Distribution costs		(2,957)	(4,103)
Administrative expenses		(87,797)	(85,949)
Other operating expenses		(632)	(112)
Operating profit		438,812	206,145
Finance costs		(23,981)	(23,101)
Share of loss of a jointly controlled entity		(2,100)	(2,802)
Profit before taxation		412,731	180,242
Taxation	3	(120,009)	(58,347)
Profit after taxation		292,722	121,895
Minority interests		(17,640)	(9,486)
Profit attributable to shareholders		275,082	112,409
Dividends	5	81,502	33,746
Basic earnings per share	4	RMB0.518	RMB0.255

Notes:

(1) PRINCIPAL ACCOUNTING POLICY AND BASIS OF PREPARATION

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong ("HK GAAP") and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This basis of accounting differs in certain material respects from that used in the preparation of the Group's statutory accounts in the People's Republic of China ("PRC"). The PRC statutory accounts of the Group have been prepared in accordance with accounting principles and financial regulations applicable to the Group in the PRC ("PRC GAAP"). Appropriate restatements have been made to the PRC statutory accounts to conform with HK GAAP.

(2) TURNOVER, OTHER REVENUES AND INCOME AND BUSINESS SEGMENTS INFORMATION

Revenues recognised during the year are as follows:

	2004 RMB'000	2003 RMB'000
Turnover		
Construction contracts revenue	3,628,005	2,683,114
Sale of building materials	236,679	225,988
Sale of developed properties	492,194	83,768
Others	21,556	1,602
	4,378,434	2,994,472

* For identification purposes only

Other revenues and income		
Rental income from investment properties, net of business tax	658	692
Gain on disposal of fixed assets	6,779	4,322
Gain on disposal of subsidiaries	–	109
Interest income	26,422	12,416
Government grants	–	19,543
Government compensation	30,861	–
Others	3,352	6,475
	<u>68,072</u>	<u>43,557</u>
Total revenues	<u>4,446,506</u>	<u>3,038,029</u>

Business segments

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

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

	Year ended 31 December 2004					Group RMB'000
	Construction RMB'000	Building materials RMB'000	Property development RMB'000	Other operations RMB'000	Elimination RMB'000	
Turnover	<u>3,912,850</u>	<u>287,944</u>	<u>492,194</u>	<u>42,566</u>	<u>(357,120)</u>	<u>4,378,434</u>
Segment results	<u>199,759</u>	<u>44,896</u>	<u>169,394</u>	<u>(6,311)</u>	<u>(5,505)</u>	<u>402,233</u>
Unallocated revenues and income						37,211
Unallocated expenses						(632)
Operating profit						438,812
Finance costs						(23,981)
Share of loss of a jointly controlled entity	–	–	(2,100)	–	–	(2,100)
Profit before taxation						412,731
Taxation						(120,009)
Profit after taxation						292,722
Minority interests						(17,640)
Profit attributable to shareholders						<u>275,082</u>
Segment assets	2,161,378	541,517	895,861	34,521	(114,516)	3,518,761
Unallocated assets						28,776
Total assets						<u>3,547,537</u>
Segment liabilities	1,107,718	268,740	572,852	16,788	(112,011)	1,854,087
Unallocated liabilities						534,808
Total liabilities						<u>2,388,895</u>
Capital expenditures	86,538	153,455	355	12,308	(4,440)	248,216
Depreciation	15,263	12,412	2,026	1,071	–	30,772
(Write back of)/provision for doubtful receivables	<u>(4,632)</u>	<u>126</u>	<u>1,692</u>	<u>112</u>	<u>–</u>	<u>(2,702)</u>
	Year ended 31 December 2003					Group RMB'000
	Construction RMB'000	Building materials RMB'000	Property development RMB'000	Other operations RMB'000	Elimination RMB'000	
Turnover	<u>2,798,028</u>	<u>273,288</u>	<u>83,768</u>	<u>1,602</u>	<u>(162,214)</u>	<u>2,994,472</u>
Segment results	<u>112,092</u>	<u>43,078</u>	<u>14,077</u>	<u>(1,026)</u>	<u>(5,521)</u>	<u>162,700</u>
Unallocated revenues and income						43,557
Unallocated expenses						(112)
Operating profit						206,145
Finance costs						(23,101)
Share of loss of a jointly controlled entity	–	–	(2,802)	–	–	(2,802)
Profit before taxation						180,242
Taxation						(58,347)
Profit after taxation						121,895
Minority interests						(9,486)
Profit attributable to shareholders						<u>112,409</u>
Segment assets	1,562,916	328,723	672,595	2,980	(83,430)	2,483,784
Unallocated assets						55,644
Total assets						<u>2,539,428</u>
Segment liabilities	717,414	139,851	589,983	1,080	(72,959)	1,375,369
Unallocated liabilities						275,045
Total liabilities						<u>1,650,414</u>
Capital expenditures	92,541	67,442	3,601	41	–	163,625
Depreciation	8,681	8,945	1,531	8	–	19,165
(Write back of)/provision for doubtful receivables	<u>(1,985)</u>	<u>727</u>	<u>(322)</u>	<u>–</u>	<u>–</u>	<u>(1,580)</u>

(3) TAXATION

The Company and its subsidiaries comprising the Group are subject to PRC enterprise income tax at a rate of 33% (2003: 33%). Certain subsidiaries received various partial tax exemption treatments during the year.

The amounts of taxation charged to the consolidated profit and loss account represent:

	2004 RMB' 000	2003 RMB' 000
Current taxation		
– PRC enterprise income tax	127,288	56,709
Deferred taxation	(7,279)	1,638
	<u>120,009</u>	<u>58,347</u>

(4) EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of RMB275,082,000 (2003: RMB112,409,000) and 531,426,053 (2003: weighted average of 441,084,053) ordinary shares in issued during the year.

No fully diluted earnings per share is presented as the Company has no dilutive potential shares.

(5) DIVIDENDS

The Directors recommended the payment of a final dividend of RMB0.1436 per share (2003: RMB0.0635 per share) to shareholders whose names appear on the register of members of the Company on 20 May 2005. The final dividend will be payable on 8 June 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 April 2005 to 20 May 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbor View Centre 56 Gloucester Road, Wanchai, Hong Kong (for holders of H Shares) or the registered office address of the Company at Yangxunqiao Township, Shaoxing County, Zhejiang Province, the People's Republic of China (for holders of domestic shares), no later than 4:00 p.m. on 19 April 2005.

BUSINESS REVIEW

Chinese government macroeconomic control measures have taken remedial effect since April 2004, aiming to slow down overheated industries such as concrete and steels, controlling land supply as well as regulating and rationalizing the infrastructure of these industries. These control measures ensured a healthy development of economy in China. In 2004, the total Gross Domestic Product and private fixed assets investment for Zhejiang Province, where the Group is based, amounted to RMB1.1243 trillion and RMB594.5 billion respectively, representing an increase of 14% and 20% over 2003. China and Zhejiang Province's substantial private fixed assets investments provided enormous market opportunity to the Group's construction and building materials businesses. The consistent and renewed high economic growth rates and continuous increases in urbanization have greatly enhanced the purchasing power and need for people to purchase residential properties. This is a positive impetus for the Group's property development business. At the same time, government macroeconomic control measures have taken further steps in regulating the market activities in construction, building materials and property development, causing a number of small and medium size enterprises, with less staying capability, to phase out from the market. For large enterprises with reputable brand name, such as Baoye, this represents an excellent development opportunity to achieve considerable market gains.

(1) Construction Business

For the year ended 31 December 2004, the Group's construction business achieved a turnover of RMB3,628,005,000 (approximately 83% of the Group's total turnover), profit contribution of RMB194,759,000 (approximately 48% of the Group's total profit), representing a growth of 35% and 82% respectively over the previous year. The Group adopted the percentage of completion method to account for revenue of construction business.

In 2004, the Group's total construction contract value was RMB8,242,626,000, representing an increase of approximately 70% from the previous year. Details are as follows:

By category

	2004		2003		Change
	RMB' 000	% of total	RMB' 000	% of total	
Public Buildings	3,469,043	42%	1,946,175	40%	+78%
Urban Infrastructure Projects	2,147,054	26%	1,200,088	25%	+79%
Residential Projects	1,240,586	15%	738,354	15%	+68%
Industrial Projects	1,385,943	17%	965,841	20%	+43%
	<u>8,242,626</u>	<u>100%</u>	<u>4,850,458</u>	<u>100%</u>	<u>+70%</u>

By Region

	2004		2003		Change
	RMB' 000	% of total	RMB' 000	% of total	
Shaoxing County	2,062,331	25%	1,417,304	29%	+46%
Other Counties of Zhejiang Province	3,213,831	39%	1,853,360	38%	+73%
Shanghai	1,842,081	23%	1,422,154	29%	+30%
Other Provinces	1,124,383	13%	157,640	4%	+613%
	<u>8,242,626</u>	<u>100%</u>	<u>4,850,458</u>	<u>100%</u>	<u>+70%</u>

In 2004, while the Group continued to consolidate its position in the Zhejiang and Shanghai markets, it also extended its foothold in the neighbouring, Central China and Northern China regional markets. For the year ended 31 December 2004, the Group has contracted for 386 new construction projects, totaling RMB6.18 billion, representing an increase of 25% over the same period last year. Moreover, large-size projects, projects with technical entry barriers, high profit projects, such as public works, city and town planning, and traffic projects undertaken by the Group have increased in numbers and registered higher percentages of the Group's construction business year-by-year. Macroeconomic control measures have made the construction business increasingly regulated, which have led a number of Baoye's competitors gone out from the market, allowing the Group to obtain even greater market share.

As at 31 December 2004, the total amount of construction contract orders under construction plus new contracts being signed approximated to RMB9.6 billion, of which RMB4.8 billion is expected to be recognized in 2005 accounted for by percentage of completion method.

(2) Property Development

In 2004, the turnover of the Group's property development was RMB492,194,000 (approximately 11% of the Group's total turnover), and contributed profits of RMB168,889,000 (approximately 42% of the Group's total profit), representing growth of 488% and 1,146% respectively over the same period last year. The Group adopted the completion method to recognize the revenue of property development, which complies with the revised HK GAAP that becomes effective in 2005.

The outstanding achievements of the Group's property development are primarily attributable to the Shaoxing's Guazhu Fengqing project. In 2004, Guazhu Fengqing was sold approximately 125,000 square meters of floor space, achieving a turnover of RMB477,060,000; average selling price per square meter in 2004 was RMB3,816, representing an increase of 19% as compared to average selling price of RMB3,200 per square meter when it was initially launched in 2003.

Projects under Development

The Group's projects under development can be summarized as follows:

Name of Project	Location	Salable Area (In square meters)	Equity Interest of the Group
Yulan Huating	Shaoxing	81,100	100%
City Gardens Phase III	Shaoxing	44,850	100%
City Green Garden Phase I	Hefei	142,559	50%
Jing'an Ziyuan	Shanghai	51,344	70%

Land Reserves

As at 31 December 2004, the Group possessed a total land area of 1,264,253 square meters for future development, primarily in Shaoxing County, Zhejiang Province (approximately 1,047,190 square meters), Hangzhou, Zhejiang Province (approximately 9,898 square meters), and Hefei, Anhui Province (approximately 207,165 square meters), which will be sufficient for the next three to five years of property development for the Group. It is the Group's strategy to increase land reserves only if there is opportunity to acquire low cost land with high growth potential. The Group will never acquire land by bidding at high price.

(3) Building Materials Business

For the year ended 31 December 2004, the Group's building materials business achieved a turnover of RMB236,679,000 (approximately 5% of the Group's total turnover), and realized profit of RMB44,896,000 (approximately 11% of the Group's total profit), up 5% and 4% respectively from the previous year.

During 2004, due to the changes in city and town planning policy, the Group's factories in Keqiao Economic Development Zone Kedong Industrial Park had to be moved to the Baoye Residential Industrial Park in Shaoxing's Keqiao Economic Development Zone. The Group's building materials business was considerably affected by suspension in production resulting from the relocation of factories.

During the year, turnover of the Group's building materials business are as follows:

Products of Building Materials	Turnover (RMB'000)	% of total
Ready-mix Concrete	152,379	64%
Concrete Piles	37,471	16%
Concrete Ducts	10,820	5%
Large Roof Sheathings	17,811	7%
Fireproof Materials	6,661	3%
Bridge Bream Plates	5,912	3%
Steel Structures	5,625	2%
Total	<u>236,679</u>	<u>100%</u>

In 2004, the Group continued to deploy investment capital solicited from initial public offering to the Baoye Residential Industrial Park in Shaoxing Keqiao Economic Development Zone. RMB33,346,000 was used to procure production line facilities for steel structure and RMB10,600,000 was used in the construction of a research and development center. As at 31 December 2004, the construction for glass curtain wall production plant, wooden manufacturing production plant and steel structures production plant all have been completed and their commercial production have been commenced in due course.

PROSPECTS

The economy of China continues to remain strong and is conducive to development, and the Chinese government's support for the private sector economic policy has increased over time. These conditions have not only set a good economic environment for the Group, but have also provided policy safeguards for the nationwide development of the Group's business. China has continually been promoting private fixed asset investments, which has helped the Group grow larger and has provided core attributes to the strengthening of the Group's main businesses of construction, building materials, and property development. The Board has complete faith in the future business development of the Group.

(1) Construction Business

At present, the domestic construction market is going through a period of transformation and consolidation. As a dominant domestic private construction enterprise, the Group should continue to solidify its market position and take advantage of opportunity to advance its nationwide expansion leveraging on the Group's strong financial position and human resources, excellent management model and reputation in the industry.

- To seize the opportunity provided by the government policy of "state retreats, private forwards" in acquiring suitable state-owned construction enterprises outside the Zhejiang Province, which would fit in our legal and financial initiatives.
- To continue consolidating the two large construction markets of Zhejiang and Shanghai; and progress towards developing Central China regional markets from Hebei and Wuhan; effectively upbring the Group's market share in Central and Western China.
- To utilize the Group's expertise in the prefabricated building materials to develop projects in high end market with technical entry barriers and obtain high returns.

(2) Property Development

Except in certain regions that may be overheated, the overall development of China real estate business is relatively healthy, especially in large cities of Central-Western China and small and medium cities in developed regions, in which property developers have fairly large room to grow. In 2004, the Chinese government strengthened the intensity of control on properties, and it is anticipated that in 2005 and beyond, the government will continue to tighten up macroeconomic control measures including reducing land supply, increasing the current interest rates, controlling credit and decreasing the size of relocation of old-city areas etc. However, the fundamental goal for these measures is to impose stricter standards in order to pave a more stable and healthy development environment for property development business.

In recent years, the property development business has contributed greatly to the total profitability of the Group and has become a core business of the Group. However, the Group is extremely cautious with regard to its property development operations. The Group will only increase its land reserves if there is an opportunity to acquire low cost land with high growth potential. In the next few years, the Group will concentrate in developing four large projects: the Four Seasons Garden in Shaoxing County, Zhejiang Province, the International Airport Building in Hangzhou, Zhejiang Province, the Jing'an Ziyuan in Shanghai and the City Green Garden in Hefei, Anhui Province. All of these projects will be developed and built in the next three to five years, and should bring considerable revenue to the Group. The abundant low cost land reserve coupled with synergy from excellent construction and advanced prefabricated building materials of the Group would guarantee the profitability of these property projects when the property price goes up. Even if property prices decline, these projects may still be able to generate profit above the industry average figure, putting the Group in a very advantageous competitive position. The Group believes that China's property development enterprises will enter into a period of quality and brand competition in the future. Thus the Group seeks to consolidate and enhance its dominant quality and brand positioning of Baoye property development operation.

(3) Building Materials Business

China's huge investment in private fixed assets and rapid urbanization not only accelerated the development of the construction and property industries, but also provided enormous market opportunity for the building materials industry. The transformation of the Chinese construction industry's model from construction to manufacture has already evolved as an irreversible trend, but the key element to the realization of this revolutionary reform lies in the rapid development of prefabricated building materials products.

As a leader in the "industrialization of China's building materials", the Group has always been dedicated to developing cost-effective and environmental friendly high-quality building materials, including light steel structures, curtain walls, wooden doors, ready-mixed concrete, concrete piles, concrete ducts, large roof sheathings and fireproof materials. Due to the market capacity of the "industrialization of building materials" worth several trillions of RMB in the coming few years, the prefabricated building materials business will become the major driver of the Group's profit growth. In 2004, the Group's first Residential Industrial Park in Shaoxing, which is the largest in China, has completed and commenced production. The construction of the second Residential Industrial Park in Hefei will begin in 2005.

In the coming years, the Group will continue to establish a few industrial parks across China with the expansion of construction business. Simultaneously, the Group is in talks with renowned international "prefabricated building materials" manufacturers on possible strategic cooperation on residential industrialization business in China, with an aim to realize our goal, "from construction to manufacture" to establish a conglomerate enterprise that could support growth in every facet or segment of our core business.

FINANCIAL REVIEW

Treasury Policies

The Group has adopted prudent financial policies and exercise tight risk management control over its investment, financing and cash. Its capital structure has always remained sound and solid. The Group will adjust its investment, financing and capital structure from time to time in accordance with its continuous development and internal resources available, with a view of optimizing the capital structure of the Group.

The Group has established a Financial Settlement Center, which has centralized funding for all its subsidiaries at the group level. This policy achieves better control of treasury operations; avoid financing risks and lower average cost of funding.

Financial Resources and Liabilities

The Group anticipated fluctuation and integration of its business in the coming months resulting from the macroeconomic control measures implemented by the Chinese government. Hence, the Group seized various golden opportunities to increase the land reserves and properties held for development, which led to an increase in bank borrowings to RMB912,000,000 at 31 December 2004 (31 December 2003: RMB542,950,000), representing an increase of approximately 68% over the previous year.

With the support of steady growth in cash flow, sound credit record and excellent reputation in the industry, the Group was awarded an AAA credit rating in 2004 by a credit rating institution recognized by the People's Bank of China. Such excellent credit rating is beneficial to the Company's financing activities and allows the Group to continue to enjoy the prime rate under the interest rate policy of the People's Bank of China. During the year, the Group maintained most of its borrowings on an unsecured basis. The amount of unsecured debt represents approximately 95% of the total borrowings as at 31 December 2004. If permissible, the Group will continue to maintain its borrowings on an unsecured basis whenever possible.

As at 31 December 2004, the Group's bank borrowings, net of bank and cash balances amounted to RMB358,854,000 (31 December 2003: RMB44,258,000). The Group's gearing ratio, calculated on the basis of net bank borrowings (total bank borrowing less bank and cash balances) over total assets is 10% (31 December 2003: 2%). The Group will also continue its policy of maintaining a prudent gearing ratio.

Bank borrowings are solely denominated in RMB and have been arranged on a floating rate basis. The Group anticipates that fluctuation in the RMB exchange rate will not have a substantial effect on the business performance and the financial status of the Group.

On 13 January 2005, the Group entered into a placing agreement with UBS AG in relation to the placing of aggregate of 36,136,800 H Shares in the share capital of the Company at HK\$4.05 per placing Share. The net proceeds of the placing was HK\$140,424,000. The Directors intend to apply the net proceeds for possible expansion of business outside the Zhejiang Province and as general working capital. This placing has further strengthened the financial position of the Group and provides necessary funding for business development.

Use of Proceeds

The total amount raised by the issue of H share by the Group in 2003 was approximately RMB236,830,000. During the year, the Company basically used the proceeds pursuant to the prospectus of the Company issued in June 2003, details of which are as follows:

	<i>RMB' 000</i>
Balance as at 1 January 2004 of unused proceeds	43,946
Proceeds used during the year, including:	
– Purchase of production lines facilities for steel structure	33,346
– Construction of a research and development center for building materials	10,600
Total	43,946

All unused proceeds as at 1 January 2004 have been fully utilised.

Capital Structure Analysis

	Note	Year ended 31 December				Changes
		2004		2003		
		RMB' 000	% of total	RMB' 000	% of total	
Assets						
Fixed assets	a	536,622	15.1%	324,147	12.8%	+65.5%
Properties under development	b	934,003	26.3%	497,054	19.6%	+87.9%
Investment in a jointly controlled entity	c	9,082	0.3%	44,182	1.7%	-79.4%
Other non-current assets		14,054	0.4%	157,756	6.2%	-91.1%
Due from customers on construction contracts	d	412,580	11.6%	234,852	9.2%	+75.7%
Trade receivables	e	320,552	9.0%	143,836	5.7%	+122.9%
Bank balances and cash		553,146	15.6%	498,692	19.6%	+10.9%
Other current assets		767,498	21.7%	638,909	25.2%	+20.1%
		<u>3,547,537</u>	<u>100.0%</u>	<u>2,539,428</u>	<u>100.0%</u>	<u>+39.7%</u>

Share capital and liabilities

Shareholders' funds	<i>f</i>	1,054,064	29.7%	816,408	32.1%	+29.1%
Minority interests		104,578	2.9%	72,606	2.9%	+44.0%
Other non-current liabilities		5,499	0.2%	6,042	0.2%	-9.0%
Short-term bank loans	<i>g</i>	912,000	25.7%	542,950	21.4%	+68.0%
Other current liabilities		1,471,396	41.5%	1,101,422	43.4%	+33.6%
		<u>3,547,537</u>	<u>100.0%</u>	<u>2,539,428</u>	<u>100.0%</u>	<u>+39.7%</u>

Note:

- (a) Fixed assets increased by RMB212,475,000 for the year, of which RMB102,903,000 was plant and machinery purchased by factories of building materials business of the Group, and RMB34,974,000 was increase in construction in progress, which were mainly construction of new factory plants in the Baoye Residential Industrial Park in Shaoxing.
- (b) Properties under development increased from RMB497,054,000 last year to RMB934,003,000 this year. The amount of due for completion within one year was RMB474,344,000, mainly represented property projects for "Yulan Huating" and City Garden Phase III. The amount of due for completion more than one year was RMB459,659,000, mainly represented property projects, "Four Season Garden" located in Kuaiji Mountain tour district.
- (c) The jointly controlled entity is Hefei Qingfangcheng Baoye Real Estate Co., Ltd., whose main business is development of "City Green Garden" in Hefei.
- (d) The Group adopted the percentage of completion method to account for revenue of construction business. The increase in due from customers on construction contracts of RMB177,728,000 were mainly for construction projects such as Suzhou Industry Park, Anhui Hefei CBD Central Plaza, and Yiwu International Commercial City.
- (e) As at 31 December 2004, the ageing analysis of the accounts receivables is as follows:

	2004 RMB'000	2003 RMB'000
0 to 3 months	244,138	67,239
3 months to 1 year	52,182	64,578
1 to 2 years	26,635	16,972
2 to 3 years	6,037	467
Over 3 years	701	855
	<u>329,693</u>	<u>150,111</u>
Less: provision for doubtful debts	(9,141)	(6,275)
	<u>320,552</u>	<u>143,836</u>

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.

- (f) Shareholders' funds increased by RMB237,656,000, which was contributed by profit for the year of RMB275,082,000 and net of 2003 dividend paid of RMB33,746,000 and revaluation reserve recognised in profit and loss account upon sale of completed properties of RMB3,680,000.
- (g) Short-term bank loans increased by RMB369,050,000 for the year. All of them are unsecured and with interest bearing at 5% to 6%.

Cash Flow Analysis

		Year ended 31 December		
	Note	2004 RMB'000	2003 RMB'000	Changes
Net cash inflow/(outflow) from operating activities	<i>a</i>	59,132	(161,642)	+137%
Net cash outflow from investing activities	<i>b</i>	(353,406)	(242,688)	+46%
Net cash inflow from financing activities	<i>c</i>	342,962	649,757	-47%

Note:

- (a) The net cash inflow generated from operations was RMB165,689,000 for the year, an increase of RMB265,749,000 as compared to the net cash outflow of RMB100,060,000 for the previous year. This was mainly attributed to the significant increase in turnover of the Group, the profit before taxation for the year has increased by RMB232,489,000 as compared to that of last year.
- (b) The increase in net cash outflow from investing activities was mainly caused by the acquisition of 90% equity interest in Hangzhou International Airport Mansion Development Co., Ltd. at a consideration of RMB83,077,000, of which RMB72,000,000 had been settled by cash during the year. In addition, loans of RMB106,000,000 had been provided to a jointly controlled entity, Hefei Qingfangcheng Baoye Real Estate Co., Ltd.
- (c) The net cash inflow from financing activities has decreased largely which were mainly because the payment of 2003 final dividend of RMB33,746,000 and there was IPO proceeds of RMB274,224,000 raised in the previous year.

Contingent Liabilities

	2004 RMB'000	2003 RMB'000
Guarantee given to banks in respect of mortgage facilities granted to third parties	58,690	50,000

The Group had issued performance guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by the subsidiaries of the Group. The bank will release such guarantee only upon the building ownership certificates of such properties are delivered to the banks as security.

Capital commitments

As at 31 December 2004, the Group had no capital commitments (31 December 2003: RMB65,673,000).

SUBSEQUENT EVENT

On 13 January 2005, the Company placed 36,136,800 new H shares. The net proceeds of the placement was HK\$140,424,000. The Company intends to apply the net proceeds for possible expansion of business outside Zhejiang Province and as general working capital. Details of the placement were set forth in the announcement dated 13 January 2005.

On 26 February 2005, Zhejiang Baoye Construction Group Company Limited ("Baoye Construction"), a non-wholly owned subsidiary of the Company, entered into a construction agreement (the "Construction Agreement") with Zhejiang Minghua Textile Raw Material Exhibition City Co., Ltd ("Minghua Textile") pursuant to which Baoye Construction has conditionally agreed to perform certain design, construction and installation work of Zhejiang Textile Raw Material Exhibition City Textile Raw Material Trade Center. As Minghua Textile is an associate of Mr. Li Wenjiang, a former director of Shaoxing Baogang Woodwork Co., Ltd ("Shaoxing Baogang"), a non-wholly owned subsidiary of the Company, the transaction under the Construction Agreement

constitutes a connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Directors propose to seek the independent shareholders' approval of the Construction Agreement at the extraordinary general meeting ("EGM") held on 6 May 2005 by way of a poll. Details of this connected transaction were set forth in the announcement dated 26 February 2005.

On 26 February 2005, an acquisition agreement was entered into between the Company and Mr. Pang Baogen ("Mr. Pang"), the Chairman of the Board, whereby the Company has conditionally agreed to acquire and Mr. Pang has conditionally agreed to dispose of his 19% of equity interests in Zhejiang Baoye Building Materials Industrialisation Company Limited (the "Acquisition"). The consideration for the Acquisition is RMB11,514,000 (equivalent to approximately HK\$10,862,264). As Mr. Pang is an Executive Director and a substantial shareholder of the Company, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. Pursuant to the articles of association of the Company (the "Articles of Association"), approval from the shareholders is required for any contract, transaction or arrangement entered into between a Director and the Company. Accordingly, the Directors propose to seek the shareholders' approval of the Acquisition Agreement at the EGM by way of a poll. Details of this connected transaction were set forth in the announcement dated 26 February 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and applicable laws of the PRC, which would oblige the Company to offer new shares on pro-rata basis to the existing shareholders of the Company.

PROVISION AND EXECUTION OF GUARANTEES OF EXTERNAL PARTIES

As at the date of this announcement, the Group had not provided any guarantee to any external party.

LITIGATION AND ARBITRATION

As at the date of this announcement, there was no litigation and arbitration for the Group.

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

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

CORPORATE GOVERNANCE

The Group sought listing in Hong Kong not only to raise fund but also to allow it to tap cope with international practice and improve its corporate governance structure, to enhance transparency, to facilitate the search for approximate strategic cooperation partners form around the world, to attract professional talents and to learn from the experiences of listed companies in legal compliance, financial management and relations building with investors.

Pursuant to the Listing Rules, a listed issuer must have at least one independent non-executive director who possesses appropriate professional qualifications or accounting or related financial management expertise. The Company appointed Mr. Dennis Yin Ming Chan as its independent non-executive Director at the extraordinary general meeting held on 23 September 2004. Mr. Dennis Yin Ming Chan, aged 51, is an associate member of the Chartered Institute of Management Accountants, United Kingdom (ACMA), an associate member of the Institute of Chartered Secretaries and Administrators, United Kingdom (ACIS), a member of the Chartered Institute of Purchasing and Supply, United Kingdom (MCIPS) and a member of the Canadian Institute of Chartered Accountants (CA). Mr. Chan is presently the President and Chief Executive Officer of Asiapac Investment Group Ltd. Mr. Chan has more than 28 years of experience in public accountancy, management consultancy, manufacturing, distribution, retailing and financial services.

Furthermore, the Company has appointed Mr. Fung Ching Simon, a Hong Kong qualified accountant, as the Chief Financial Officer of the Company on a full time basis in order to enhance the Group's financial management. Mr. Fung, aged 36, is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia. Prior to joining the Company, he had over 10 years of experience in auditing, accounting and business advisory with a "Big-4" international accounting firm.

CHANGES OF DIRECTORS AND SUPERVISORS

During the year, the Company has the following changes in Directors and Supervisors:

1. Mr. Dennis Yin Ming Chan was appointed as an Independent Non-executive Director on 23 September 2004.
2. Mr. Kwok Lam-Kwong, Larry and Mr. Xu Yangsheng resigned as an Independent Non-executive Directors on 10 March 2004 and 21 September 2004 respectively.
3. Mr. Li Yongsheng was appointed as an Independent Supervisor of the Company on 23 September 2004.
4. Mr. Sun Machuan resigned as an Independent Supervisor of the Company on 23 September 2004.

HUMAN RESOURCES

As at 31 December 2004, the Group had 1,171 full time administrative staff (2003: 1,137 staff), ordinary employees (including workers on construction site) is about 41,000 (2003: 34,000 employees). The total staff costs amounted to RMB672,105,000 (2003: RMB481,560,000) for the year ended 31 December 2004. Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include provident fund schemes.

AUDIT COMMITTEE

The audit committee of the Company was established since its listing in Hong Kong pursuant to the Listing Rules. Members of the audit committee comprise the independent non-executive Directors, including Mr. Wang Youwei, Mr. Yi Deqing and Mr. Dennis Yin Ming Chan. Mr. Wang Youwei is the Chairman of the audit committee. The primary duties of the audit committee are to review and supervise the Group's financial reporting process, internal control system, appointment and replacement of Auditors as well as assessing the Auditors' performance and reasonableness of their service fees, and providing recommendation to the Board in this regard. The annual results of the Group for the year ended 31 December 2004 had been reviewed by the audit committee and approved by the Board.

CODE OF BEST PRACTICE

The H shares of the Company were listed on the Stock Exchange on 30 June 2003. Since its listing up to 31 December 2004, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Code of Best Practice contained in Appendix 14 of the Listing Rules has been replaced by the Code on Corporate Governance Practices ("New Code") with effect from 1 January 2005 and the New Code will apply for subsequent reporting periods.

APPRECIATION

The Board would like to take this opportunity to express gratitude to our shareholders, customers, banks, professional parties and employees for their continuous patronage and support.

By order of the Board
Baoye Group Company Limited
PANG Baogen
Chairman

Zhejiang Province, PRC
1 April 2005

As at the date of this announcement, the Board comprises of four executive directors, namely Mr. Pang Baogen, Mr. Gao Jiming, Mr. Gao Lin and Mr. Zhou Hanwan; two non-executive Directors, namely Mr. Wu Weimin and Mr. Hu Shaozeng; and three independent non-executive Directors, namely Mr. Wang Youwei, Mr. Yi Deqing and Mr. Dennis Yin Ming Chan.

The Company will submit to the Stock Exchange and publish on the website of the Stock Exchange (website: www.hkex.com.hk) all the information as required under paragraph 45 of Appendix 16 of the Listing Rules within 14 days following this announcement.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting (“AGM”) of Baoye Group Company Limited (“Company”) will be held at 13th Floor, Development Building, No. 208 Jianhu Road, Keqiao, Shaoxing County, Zhejiang Province, the People’s Republic of China (“PRC”) on 20 May 2005 at 2:30 p.m. for the following purposes:

I. As ordinary resolutions:

1. To consider and approve the report of the board of directors of the Company (“Board”) for the year 2004;
2. To consider and approve the report of the supervisory committee of the Company for the year 2004;
3. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries (“Group”) and the auditors’ reports for the year ended 31 December 2004;
4. To authorise the Board to decide the matters relating to the payment of final dividend for the year 2004;
5. To re-appoint the Company’s auditors and to authorise the Board to fix their remuneration;
6. To consider and approve the re-election of directors and to authorise the Board to fix their remuneration;
7. To consider and approve the appointment and re-election of supervisors and to authorise the Board to fix their remuneration;
8. To consider and approve any motion proposed by any shareholder of the Company holding 5% or more of the shares with voting rights at such meeting, if any;

II. As special resolution:

9. To consider and, if thought fit, pass the following as special resolution:

“THAT:

- (a) Subject to sub-paragraphs (c) and (d) hereinbelow and pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) (as the same may be amended from time to time) and the Company Law of the PRC (“PRC Company Law”), the Directors of the Company are generally and unconditionally authorised to exercise all the rights of the Company, to allot and issue new shares and dispose of outstanding shares of the Company individually and collectively during the Relevant Period and to determine the terms and conditions in relation to the allotment and issue of new shares including, inter alia:
 - (i) the type and number of new shares to be issued;
 - (ii) the issue price of the new shares;
 - (iii) the date for the commencement and closing of the issue;
 - (iv) the class and the number of new shares to be issued to the existing shareholders;
 - (v) to make, execute or grant offer proposals, agreements and options as may be necessary in the exercise of such powers; and
 - (vi) all other matters in relation thereto.
- (b) The Directors of the Company are authorised to make or grant offer proposals, agreements and options as required or may be required in the exercise of such powers during the Relevant Period (as defined below) as referred to in sub-paragraph (a) or after the expiry of the Relevant Period.
- (c) The total nominal amount of overseas listed foreign shares, domestic shares and non-H foreign shares (other than those issued under the PRC Company Law and the Articles of Association of the Company by the capitalisation of the statutory capital reserve fund) agreed to be allotted and/or conditionally or unconditionally agreed to be allotted by the Directors of the Company pursuant to sub-paragraph (a) above (whether pursuant to the exercise of options or otherwise) shall not exceed 20% of such class of the shares of the Company existing in issue.
- (d) Upon the exercise of the powers pursuant to sub-paragraph (a) above, the Directors of the Company shall comply with the PRC Company Law and the Listing Rules (as the same may be amended from time to time) and obtain the approval from the China Securities Regulatory Commission.
- (e) For the purpose of this resolution:

“Relevant Period” refers to the period from the date of the passing of this resolution to the earliest of the following three:

 - (a) twelve months after the passing of this resolution;
 - (b) conclusion of the next annual general meeting of the Company; and

- (c) the date of the passing of a special resolution to revoke or amend the mandate as referred to in this resolution by shareholders in shareholders' general meeting.
- (f) Subject to the approval by the relevant authorities of the PRC and pursuant to the PRC Company Law, when exercising the powers under sub-paragraph (a) above, the Directors of the Company are authorised to increase the registered capital of the Company to the required amount respectively and attend to the relevant registration procedures with the relevant authorities in the PRC, Hong Kong or such other relevant place.
- (g) Subject to the approval by the relevant authorities of the PRC, the Board of Directors of the Company is authorised to make appropriate and necessary amendments to the Articles of Association of the Company, so as to reflect the changes in the capital of the Company that may have arisen under this mandate."

Executive Directors

Mr. PANG Baogen
Mr. GAO Jiming
Mr. GAO Lin
Mr. ZHOU Hanwan

Non-executive Directors

Mr. WU Weimin
Mr. HU Shaozeng

Independent non-executive Directors

Mr. WANG Youwei
Mr. YI Deqing
Mr. Dennis Yin Ming Chan

By order of the Board
Baoye Group Company Limited
PANG Baogen
Chairman

Shaoxing County, Zhejiang Province, the PRC
1 April 2005

Notes:

- The register of members of the Company will be closed from 20 April 2005 to 20 May 2005 (both days inclusive), during which no transfer of shares can be registered.
- Holders of domestic shares and H shares whose names appear on the register of members of the Company before 4:00 p.m. on 20 May 2005 are entitled to attend and vote at the meeting convened by the above notice and may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a member of the Company.
- In order to be valid, the proxy form must be deposited by hand or post, for holders of H Shares of the Company, to the H shares registrar of the Company, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the registered address of the Company not less than 24 hours before the time for holding the meeting or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form.
- Shareholders or their proxies shall produce their identity documents when attending the meeting.
- Shareholders who intend to attend the meeting should complete and return the reply slip and return it by hand or post to the share registrar of the Company (for holders of H shares) or to the registered office address of the Company (for holders of domestic shares) on or before 30 April 2005.
- The meeting is expected to take half a day. Shareholders attending the meeting shall be responsible for their own travel and accommodation expenses.
- The registered office address of the Company is as follows:

Yangxunqiao Township
Shaoxing County
Zhejiang Province
The People's Republic of China
Tel: (86) 575 4069420
Fax: (86) 575 4069420
Post Code: 312028
- Subject to re-election, the term of the Directors and supervisors of the Company ("Supervisors") will commence on the conclusion of the AGM and expire on the conclusion of the annual general meeting of the Company in 2008. Brief biographical details of the Directors and Supervisors nominated and recommended by the Board to be re-elected or appointed (as the case may be) at the AGM are set out below.

Directors

Executive Directors

Mr. Pang Baogen, aged 48, is the executive Director, chairman and founder of the Group. He holds a professor level senior engineer qualification. He is well respected and recognised in the construction industry in China and received many awards for his achievements, including Model Worker of National Construction System (全國建設系統勞動模範), Excellent Manager of the National Construction Enterprises (全國優秀建築企業經理), Youth and Mature Scientist with Outstanding Contributions to Zhejiang Province (浙江省有突出貢獻的中青年科技人員). In addition, Mr. Pang has served as the representative of the Third Shaoxing City People's Congress (紹興市第三屆人民代表大會) and the deputy director of The Construction Academic Committee of Zhejiang Civil Engineering Association (浙江省土木工程委員會), deputy chairman of Zhejiang Provincial Association of Construction Entrepreneur (浙江省建築企業家協會), the vice chairman of Zhejiang Construction Association (浙江省建築業協會), the vice chairman of Shaoxing City Entrepreneurs Association (紹興市企業家協會), the representative of the Fifth Shaoxing City People's Congress (紹興市第五屆人民代表大會) and the committee member of the Twelfth Shaoxing County People's Congress (紹興縣第十二屆人民代表大會).

During the three years prior to the date of this announcement, Mr. Pang did not hold any directorship in listed public companies except the Company. Mr. Pang has been appointed for a term of three years expiring on 30 August 2005.

Apart from being an executive Director, Mr. Pang does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

At the date of this announcement, Mr. Pang is interested in 198,753,054 Domestic Shares, representing 35.01% of the entire share capital of the Company.

Mr. Pang is entitled to an annual remuneration of not exceeding RMB1,000,000. For the year ended 31 December 2004, Mr. Pang received a total amount of remuneration of RMB552,000. Subject to re-election, the emolument of Mr. Pang will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Mr. Gao Jiming, aged 43, is an executive Director and deputy general manager of the Group. Mr. Gao is also the Chairman of Zhejiang Baoye Real Estate Development Co., Ltd.(浙江寶業房地產集團有限公司), a subsidiary of the Company. He holds a senior engineer qualification. Mr. Gao joined the Group in 1978.

During the three years prior to the date of this announcement, Mr. Gao did not hold any directorship in listed public companies except the Company. Mr. Gao has been appointed for a term of three years expiring on 30 August 2005.

Apart from being an executive Director, Mr. Gao does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

At the date of this announcement, Mr. Gao is interested in 13,024,647 Domestic Shares, representing 2.29% of the entire share capital of the Company.

Mr. Gao is entitled to an annual remuneration of not exceeding RMB500,000. For the year ended 31 December 2004, Mr. Gao received a total amount of remuneration of RMB420,000. Subject to re-election, the emolument of Mr. Gao will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Mr. Gao Lin, aged 35, is an executive Director and deputy general manager of the Group. He is also the Chairman of Zhejiang Baoye Construction Group Co., Ltd (浙江寶業建設集團有限公司), a subsidiary of the Company. He holds a senior engineer qualification. Mr. Gao joined the Group in July 1987. He is currently the deputy chairman of the Shaoxing Construction Association.

During the three years prior to the date of this announcement, Mr. Gao did not hold any directorship in listed public companies except the Company. Mr. Gao has been appointed for a term of three years expiring on 30 August 2005.

Apart from being an executive Director, Mr. Gao does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

At the date of this announcement, Mr. Gao is interested in 9,544,775 Domestic Shares, representing 1.68% of the entire share capital of the Company.

Mr. Gao is entitled to an annual remuneration of not exceeding RMB500,000. For the year ended 31 December 2004, Mr. Gao received a total amount of remuneration of RMB420,000. Subject to re-election, the emolument of Mr. Gao will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Mr. Zhou Hanwan, aged 51, is an executive Director and deputy general manager of the Group. Mr. Zhou is responsible for personnel management of the Group. He holds a senior engineer qualification. Mr. Zhou joined the Group in 1984. He is currently the director of the Concrete Section of China Construction Industry Association, the deputy head of secretary of Concrete Association of Zhejiang Province and the vice chairman of Concrete Association of Shaoxing City.

During the three years prior to the date of this announcement, Mr. Zhou did not hold any directorship in listed public companies except the Company. Mr. Zhou has been appointed for a term of three years expiring on 30 August 2005.

Apart from being an executive Director, Mr. Zhou does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

At the date of this announcement, Mr. Zhou is interested in 8,233,510 Domestic Shares, representing 1.45% of the entire share capital of the Company.

Mr. Zhou is entitled to an annual remuneration of not exceeding RMB500,000. For the year ended 31 December 2004, Mr. Zhou received a total amount of remuneration of RMB420,000. Subject to re-election, the emolument of Mr. Zhou will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Non-executive Directors

Mr. Hu Shaozeng, aged 70, is a non-executive Director. Mr. Hu graduated from the Tongji University of Shanghai (上海同濟大學) specializing in industrial and residential construction and holds a senior engineer qualification. He has served as the Dean of the Construction Committee of Zhejiang Province (浙江省建築委員會) and the Dean and deputy chief engineer of Zhejiang Provincial Department of Construction. Mr. Hu is currently the vice-chairman of the Quality Section of the China Construction Industry Association (中國建築業協會) and vice-chairman and secretary of the Zhejiang Construction Industry Association (浙江省建築業協會).

During the three years prior to the date of this announcement, Mr. Hu did not hold any directorship in listed public companies except the Company. Mr. Hu has been appointed for a term of three years expiring on 15 October 2005.

Apart from being a non-executive Director, Mr. Hu does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this announcement, Mr. Hu does not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO").

Mr. Hu is entitled to an annual remuneration of not exceeding RMB25,000. For the year ended 31 December 2004, Mr. Hu received a total amount of remuneration of RMB25,000. Subject to re-election, the emolument of Mr. Hu will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Mr. Wu Weimin, aged 39, is a non-executive Director. Mr. Wu obtained his Master's degree from University of Zhejiang (浙江大學) majoring in civil engineering. He is qualified as a senior engineer. Mr. Wu has been the Dean of the Zhejiang Research Institute of Construction, Science and Design (浙江省建築科學設計研究院).

During the three years prior to the date of this announcement, Mr. Wu did not hold any directorship in listed public companies except the Company. Mr. Wu has been appointed for a term of three years expiring on 30 August 2005.

Apart from being a non-executive Director, Mr. Wu does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this announcement, Mr. Wu does not have any interests in shares of the Company within the meaning of Part XV of the SFO.

Mr. Wu is entitled to an annual remuneration of not exceeding RMB25,000. For the year ended 31 December 2004, Mr. Wu received a total amount of remuneration of RMB25,000. Subject to re-election, the emolument of Mr. Wu will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Independent Non-executive Directors

Mr. Wang Youwei, aged 60, is an independent non-executive Director and chairman of the audit committee of the Group. He graduated from Tongji University of Shanghai (上海同濟大學) in 1968 specialising in underground construction and holds the qualification of researcher. Mr. Wang has served as the director of the Office of New Technology Promotion and Application (新技術促進應用辦公室) of the Ministry of Construction ("MOC") and the committee member of the National Committee for the Appraisal of Industrial Laws and Regulations (國家級工業法規評定委員會), the deputy dean of the China Construction Science Research Institute (中國建築科學研究院), the consultant of the Expert Consulting Team of the Government of Beijing City (北京市政府專家顧問團), the director of the China Construction Academic Association (中國建築學會), the managing director of the China Construction Fireproof Research Association (中國建築防火研究會), the managing director of the China Fireproof Association (中國消防協會), the director of the National Research Center of Construction Engineering (國家建築工程研究中心), the committee member of the National Committee of Building Materials Industry Science Committee (國家建材工業科教委員會) and the chief editor of the Construction structure Journal (建築結構學報).

During the three years prior to the date of this announcement, Mr. Wang did not hold any directorship in listed public companies except the Company. Mr. Wang has been appointed for a term of three years expiring on 15 October 2005.

Apart from being an independent non-executive Director, Mr. Wang does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this announcement, Mr. Wang does not have any interests in shares of the Company within the meaning of Part XV of the SFO.

Mr. Wang is entitled to an annual remuneration of not exceeding RMB25,000. For the year ended 31 December 2004, Mr. Wang received a total amount of remuneration of RMB25,000. Subject to re-election, the emolument of Mr. Wang will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Mr. Yi Deqing, aged 70, is an independent non-executive Director and a member of audit committee of the Group. He graduated from University of Zhejiang (浙江大學) in 1956 specialising in civil engineering, and holds the qualifications of National Chartered First-Class Structural Engineer and professor-level senior engineer. Mr. Yi has been awarded the Master of China Engineering Design (中國工程設計大師) and Model Worker of the MOC. He is currently a chief engineer of the Zhejiang Province Construction Design Research Institute, the vice managing director of Zhejiang Civil Engineering Construction Association (浙江省土木建築學會) and the senior consultant of the Zhejiang Observation Design Association (浙江省勘察設計協會).

During the three years prior to the date of this announcement, Mr. Yi did not hold any directorship in listed public companies except the Company. Mr. Yi has been appointed for a term of three years expiring on 15 October 2005.

Apart from being an independent non-executive Director, Mr. Yi does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this announcement, Mr. Yi does not have any interests in shares of the Company within the meaning of Part XV of the SFO.

Mr. Yi is entitled to an annual remuneration of not exceeding RMB25,000. For the year ended 31 December 2004, Mr. Yi received a total amount of remuneration of RMB25,000. Subject to re-election, the emolument of Mr. Yi will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Mr. Dennis Yin Ming Chan, aged 51, is an independent non-executive Director and a member of Auditor Committee of the Group. Mr. Chan is an associate member of the Chartered Institute of Management Accountants, United Kingdom (ACMA), an associate member of the Institute of Chartered Secretaries and Administrators, United Kingdom (ACIS), a member of the Chartered Institute of Purchasing and Supply, United Kingdom (MCIPS) and a member of the Canadian Institute of Chartered Accountants (CA). Mr. Chan is currently the President and Chief Executive Officer of Asiapac Investment Group Ltd. Prior to that, Mr. Chan had been a director and chief financial officer of various listed companies in Hong Kong, Singapore and the United States of America. Mr. Chan has more than 28 years of experience in public accountancy, management consultancy, manufacturing, distribution, retailing, logistics and financial services.

During the three years prior to the date of this announcement, Mr. Chan did not hold any directorship in listed public companies except the Company. Mr. Chan has been appointed for a term of three years expiring on 23 September 2007.

Apart from being an independent non-executive Director, Mr. Chan does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this announcement, Mr. Chan does not have any interests in shares of the Company within the meaning of Part XV of the SFO.

Mr. Chan is entitled to an annual remuneration of not exceeding HK\$180,000. For the year ended 31 December 2004, Mr. Chan received a total amount of remuneration of HK\$55,650. Subject to re-election, the emolument of Mr. Chan will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Supervisors

Mr. Sun Guofan, aged 43, is a Supervisor. Mr. Sun graduated from Hangzhou College of Commerce (杭州商學院) specialising in finance and accounting, and is qualified as an accountant. Mr. Sun joined the Group in 1988. He was assistant manager of the finance department and deputy director of the financial supervisory office of the Group and secretary of the Party Committee of the Group.

During the three years prior to the date of this announcement, Mr. Sun did not hold any position in other listed public companies except the Company. Mr. Sun has been appointed for a term of three years expiring on 30 August 2005.

Apart from being a Supervisor, Mr. Sun does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

At the date of this announcement, Mr. Sun is interested in 11,705,283 Domestic Shares, representing 2.06% of the entire share capital of the Company.

Mr. Sun is entitled to an annual remuneration of not exceeding RMB500,000. For the year ended 31 December 2004, Mr. Sun received a total amount of remuneration of RMB165,758. Subject to re-election, the emolument of Mr. Sun will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Mr. Chen Xingquan, aged 77, is an independent Supervisor. Mr. Chen is a certified public accountant of the PRC and is experienced in accounting, auditing and related managing function.

During the three years prior to the date of this announcement, Mr. Chen did not hold any position in other listed public companies except the Company. Mr. Chen has been appointed for a term expiring on the third annual general meeting of the Company.

Apart from being an independent supervisor of the Company, Mr. Chen does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this announcement, Mr. Chen does not have any interests in shares of the Company within the meaning of Part XV of the SFO.

Mr. Chen is entitled to an annual remuneration of not exceeding RMB20,000. For the year ended 31 December 2004, Mr. Chen received a total amount of remuneration of RMB20,000. Subject to re-election, the emolument of Mr. Chen will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Mr. Li Yongsheng, aged 65, is an independent Supervisor. Mr. Li was the procurator general of Shaoxing Procuratorate during the period between 1994 and 1998. Currently he is the honorable consultant of Shaoxing Sports Association and the vice president of the Union of Political Consultative Congress in Shaoxing.

During the three years prior to the date of this announcement, Mr. Li did not hold any position in other listed public companies except the Company. Mr. Li has been appointed for a term of three years expiring on 23 September 2007.

Apart from being an independent supervisor of the Company, Mr. Li does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this announcement, Mr. Li does not have any interests in shares of the Company within the meaning of Part XV of the SFO.

Mr. Li is entitled to an annual remuneration of not exceeding RMB20,000. For the year ended 31 December 2004, Mr. Li did not receive any emolument. Subject to re-election, the emolument of Mr. Li will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

Mr. Zhang Xindao, aged 61, is the proposed Supervisor. Mr. Zhang graduated from Dongnan University (東南大學, Formerly Nanjing Industrial College) and holds a senior engineer qualification. He has served as the deputy director of Shaoxing Municipal Power Bureau and the General Manager of Shaoxing Daming Industry Company. He is currently the Director of Shaoxing Daming Power Generation Company Ltd, the Director of Zhuji Bafang Power Generation Company Ltd.

During the three years prior to the date of this announcement, Mr. Zhang did not hold any position in other listed public companies.

Apart from being a proposed Supervisor, Mr. Zhang does not have any relationship with any Directors, Supervisors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the date of this announcement, Mr. Zhang does not have any interests in shares of the Company within the meaning of Part XV of the SFO.

It is currently intended that Mr. Zhang will enter into a service contract with the Company. The amount of emoluments payable to Mr. Zhang will not exceed RMB20,000. As a Supervisor, the emoluments of Mr. Zhang will be determined by the Board as authorised by the shareholders at the AGM.

The Board confirms that there is no other matter which should be brought to the attention the shareholders.

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Pang Baogen, Mr. Gao Jiming, Mr. Gao Lin and Mr. Zhou Hanwan; two non-executive Directors, namely Mr. Wu Weimin and Mr. Hu Shaozeng; and three independent non-executive Directors, namely Mr. Wang Youwei, Mr. Yi Deqing and Mr. Dennis Yin Ming Chan.