



BAOYE GROUP ANNOUNCES 2004 ANNUAL RESULTS
TURNOVER INCREASES 46% TO RMB4.38 BILLION
PROFIT ATTRIBUTABLE TO SHAREHOLDERS SURGES 145% TO RMB280 MILLION
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CAPITALIZING ON URBANIZATION TREND
DEVELOPING INTO THE LARGEST AND MOST PROFITABLE
PRIVATE CONSTRUCTION ENTERPRISE IN CHINA

Financial Highlights

	Year ended 31 December		Change
	2004	2003	
	RMB'000	RMB'000	
Turnover	4,378,434	2,994,472	↑46%
Gross profit	462,126	252,752	↑83%
Operating profit	438,812	206,145	↑113%
Profit attributable to shareholders	275,082	112,409	↑145%
Basic Earnings per share (RMB)	0.518	0.255	↑103%
Dividend per share (RMB)	0.1436	0.0635	↑126%

(Hong Kong, 1 April 2005) – Baoye Group Limited (“Baoye Group” or “the Group”) (Stock Code: 2355), a leading construction enterprise in the PRC, today announced its annual results for the 12 months ended 31 December 2004.

In 2004, the Group’s turnover recorded an increase of 46% to RMB4.38 billion. Profit attributable to shareholders was RMB280 million, representing a surge of 145% over that of 2003. Basic earnings per share rose 103% to RMB0.518.

The Board of Directors recommends payment of a final dividend of RMB0.1436 per share for the year ended 31 December 2004.

Mr. Pang Baogen, Chairman of Baoye Group, said, “With 30 years’ experience in the industry, we have successfully developed a prominent brand name - ‘Baoye’. The Group has enjoyed fast growth, developing from a regional conventional construction company into a nationwide integrated construction enterprise that specialises in construction, building materials manufacturing as well as development and property development. The Group has moved into a new era of dynamic growth.”

In 2004, the construction business contributed revenue of RMB3.63 billion and profit of RMB195 million, a growth of 35% and 82% respectively compared with 2003. During the year, the Group completed 239 projects, including urban works projects, and industrial and residential projects. Among them, 20 projects received reputable awards, testifying to the superb expertise of the Group and its leading industry position.

Mr. Pang continued, “The Group is one of the first 43 enterprises in the PRC to be granted the Premium Class Certificate for General Building Construction Contracting Works, allowing it to undertake construction projects of all scale and complexity. The government’s macroeconomic controls in regulating the construction, building materials and property development industries, causing smaller scale players to phase out. This allowed the Group to focus on high-technological barrier and higher profit projects, such as public works, urban, traffic projects and other upsize projects, hence substantially improved its gross margin and net profit.”

As at the end of 2004, Baoye Group signed 386 new construction contracts of total value RMB6.18 billion, representing an increase of 25% over 2003. Total construction orders on hand plus new contracts won valued at approximately RMB9.6 billion, including RMB4.8 billion that is expected to be recognized in 2005.

In order to achieve nationwide coverage, Baoye Group is planning to acquire one to two large and outstanding state-owned construction enterprises outside Zhejiang Province to facilitate the expansion of its business in Central and Northern China.

For the property business, the Group’s strategy is to embark on strategic projects and build up its land reserve in regions undergoing speedy urbanisation and reporting high economic growth but with the property sector still in infancy. In 2004, the turnover of the Group’s property business increased 4.9 times to RMB492 million, and profit contribution was RMB169 million, representing a surge of 11.5 times as compared with 2003.

The outstanding achievements of the Group's property business were primarily attributable to Shaoxing's Guazhu Fengqing project. In 2004, Guazhu Fengqing sold approximately 125,000 sq.m. of floor space, at the average selling price of RMB 3,816 per sq.m., representing an increase of 19.3% as compared to RMB3,200 per sq.m. when it was initially launched in 2003. Besides, the construction of Yulan Huating and City Garden Phase III projects in Shaoxing was near completion in 2004, and was sold out in a short period of time. Its profit is expected to be recognized in 2005. The construction of the other two projects located at Hefei and Shanghai is expected to be finished at the end of 2005, and contribute to the Group's turnover in 2006.

As the leader providing the benchmark for 'industrialisation of China's building materials', the Group is engaged in developing high quality semi-finished building materials that is cost effective and in alignment with the country's environmental protection and energy conservation concepts. In 2004, the Group's building materials business achieved a turnover of RMB237 million, and profit of RMB45 million, representing growth of 5% and 4% respectively. To comply with city planning policy, the Group suspended production to move its factories, as a result, the development of its building materials business was significantly affected.

However, the Group expects its building materials business to grow substantially in 2005. The construction for the glass curtain wall production plant, wood manufacturing production plant and steel structure production plant are all completed and production has commenced at the end of 2004. Also, the construction of Baoye Group's second industrial park (Hefei) commenced during the year, and the Group is planning to establish a few more industrial parks in other parts of China. Simultaneously, the Group is in talk with international giants specializing in 'prefabricated building materials' on possible strategic cooperation, with the aim of actively promote the Group's business coverage across the nation.

Commenting on the Group's development, Mr. Pang said with confidence, 'As the Chinese economy continues to grow strongly, the pace of urbanization will speed up accordingly, leading to the further optimisation and industrialization of the building materials industry. The coming 20 years will present the construction industry in China tremendous business opportunities, and Baoye Group will benefit from them.'

'Looking ahead, with construction as its fundamental expertise, Baoye Group will focus on developing new types of building materials and seek complement in property development. This 'three-in-one' business model will enable the Group to grasp many market opportunities, allowing it to raise profitability, enhance its leading position and create greater returns to shareholders' Mr. Pang concluded.

About Baoye Group Company Limited

Baoye Group was established in 1975 and is principally engaged in the undertaking and implementation of construction projects; research, development, manufacture and sale of building materials; and real estate development from Zhejiang Province to the Changjiang River Delta. The Group is one of the few large-scale construction groups in the PRC that engages in the one-stop construction business. Based on a “vertical integration” model, which has successfully enabled the Group to establish its famous construction brand “Baoye” and become one of the most efficient construction enterprise 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 with any scale and complexity. In addition, the Group has received many of the honors in the construction industry, including “Lu Ban Award” (中國建築工程魯班獎), “Qianjiang Cup” (錢江杯) and “Bai Yulan Cup” (白玉蘭杯).

Baoye pioneered its flagship building materials and other construction products development in 1994 and is currently establishing the Baoye Residential Industry (Building Materials) Park in Kexi Industrial Park in Keqiao Economic Development Zone, Shaoxing, Zhejiang to explore semi-finished building materials that save cost and energy and meet the national requirements for environmental protection.

2004 Baoye Group Award -winning Projects

Awards

Silver Medal of the State

Outstanding Construction

Projects

Qianjiang Cup

Projects

Shaoxing Administrative Center Project

Shaoxing Civil Administration Welfare Center, Seniors Activities Center

Shaoxing Skill Quality Supervisory Bureau, Administrative Examination Center, Office Examination Building

Shaoxing Wenli Institute Center Library

Jiaxing Construction Bureau building with 2 halls and 1 activity center
Wuyi No. 1 People's Hospital Emergency Building

Bai Yulan Cup

Shanghai Gaohang Town Government Office Building

Shanghai Normal University Preparatory High School Apartments

Orchid Cup

Shaoxing Civil Administration Welfare Center, Seniors Activities Center

Shaoxing Wenli Institute Center Library

Shaoxing Intermediate People's Courthouse

Shaoxing Skill Quality Supervisory Bureau, Administrative Examination Center, Office Examination Building

Shaoxing Keqiao Economic Development Zone Public Service Center Main Building

Shaoxing Commerce Bureau Main Building

Xinchang Liquan Power Station

Pujiang Cup

Shanghai New Times Garden Phase IV, No. 3-10

New Times Garden, Grade 2 No. 8

Shanghai Golden Xijiao City Phase I, No. 7

West Lake Cup

Hangzhou Yellow Dragon Building

Hangzhou Gardens, Apartment Building C

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