

[For immediate release]



BAOYE GROUP ANNOUNCES FY2006 INTERIM RESULTS
OPERATING PROFIT DOUBLES TO RMB529 MILLION
PROFIT ATTRIBUTABLE TO SHAREHOLDERS SOARS 127% TO RMB401 MILLION

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STRIVES TO DEVELOP HUBEI PROVINCE AND CENTRAL CHINA MARKET
GROWS INTO A NATION-WIDE SIZABLE CONSTRUCTION CONGLOMERATE

Financial Highlights

	For the six months ended		Change
	2006	2005	
	RMB'000	RMB'000	
Turnover	2,895,757	2,550,957	↑14%
Operating profit	528,772	264,039	↑100%
Profit attributable to equity holders	401,068	176,659	↑127%
Basic Earnings per share (RMB)	0.66	0.31	↑113%

(Hong Kong, 7 September 2006) – Baoye Group Limited (“Baoye Group” or “the Group”) (Stock Code: 2355), a PRC leading conglomerate engaging in construction, production of building materials and property development, announced its unaudited interim results for the six months ended 30 June 2006.

In the first half of 2006, the Group’s turnover amounted to RMB2.896 billion, up 14% when compared with the same period in 2005. Operating profit doubled to RMB529 million. Profit attributable to equity holders was RMB401 million, representing an increase of 127%. Basic earnings per share rose 113% to RMB0.66. The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2006.

Mr. Pang Baogen, Chairman of Baoye Group, said, “Baoye has a well-established foundation in the construction industry. Boasting three core businesses namely construction, property development and building materials, it has been able to capture business opportunities arising in the pursuit of urbanization in the PRC. The Group acquired the Hubei Construction Group in the first half of 2006 and is very pleased

to report record earnings in history. We believe the government's economic austerity measures will see the construction, building materials and property sectors continue to prosper in a more regulated and healthier development. Those measures will also help to guide the market in achieving better resources allocation and present merger and acquisition opportunities to industry players, inspiring market consolidation. This is in favour to the Group's development and will fortify its industry lead-standing in the long run."

In the first half year of 2006, construction business recorded a turnover of RMB2.03 billion, accounting for approximately 70% of the Group's total turnover. The segment's operating profit reached RMB320 million, up 232% against the same period last year, accounting for 60% of the Group's total operating profit. The Group has successfully developed the Hubei Province and Central China market after the acquisition of 12 operating units under the Hubei Construction Group. Total contract value of construction-in-progress in regions outside Zhejiang Province and Shanghai increased by 224% from RMB 1.82 billion in 2005 to RMB 5.90 billion, a surge from 18% to 42% of the total contract value.

As regards the property development business, its turnover was RMB 391 million. The operating profit was RMB168 million and 43% over the same period last year. During the period under review, the properties that the Group sold were mainly located in Hefei, Anhui. Located in developing districts, the selling prices of these properties were less sensitive to the Government's austerity measures. Turnover from property development mainly came from City Green Garden development project in Hefei, Anhui, which brought in turnover of approximately RMB 356 million.

Mr. Pang said, "Property development business is an important part for the Group to become a nation-wide sizable construction conglomerate. Currently, we are focusing on developing five major projects namely Four Seasons Garden in Shaoxing, Linjiang Green Garden in Shaoxing county, Jing'an Ziyuan in Shanghai and City Green Garden and Zhejiang Commercial City in Hefei. The acquisition of the Hubei Construction Group has also secured for us a parcel of quality land reserve in Wuhan with an area of approximately 500,000 square metres, of which we plan to develop in phases over the next three years. With the land reserve attained at low cost, we look forward to achieving considerable profit from it."

With respect to the building materials business, the Group has been focusing on industrialisation of construction in the PRC and increasing its efforts in market development. During the period, turnover of the segment was RMB449 million, a 57% increase compared with the same period in 2005. Construction of the residential housing industrial park in Hefei has commenced and construction of the residential housing industrial park in Wuhan is under planning.

In March 2006, the Group entered into a cooperation agreement with Daiwa House Industry Co., Ltd. of Japan, pursuant to which both parties have agreed to form a 10-year strategic alliance to co-develop technology advancement skills for the manufacture of industrialised residential units. Daiwa House has deployed a team of engineers in the Group's Shaoxing Housing Industrial Park working with the Group's R&D staff to jointly develop pre-fabricated building materials and industrialised residential units that are fit for the China market. The cooperation has not only strengthened the Group's leading position in the industrialisation of the construction sector in the PRC, but has also established a foundation for future cooperation and joint venture with Daiwa House in areas such as construction and sales of residential units. With the Group's technology for pre-fabricated building materials advances and the economic advantage in mass production, the profit margin of the building materials business will steadily increase.

Commenting on the Group's future development, Mr. Pang confidently said, "We will strive to seize every business opportunity ahead and leverage the urbanisation trend in the PRC to develop our three core businesses. Riding on the combined strengths of "three-in-one" business model, we will continue to extend our reach to other regions of PRC, and offer quality and premium properties and build brand awareness and market reputation. We expect the Group to continue robust growth in the next few years. At the same time, followed by the ever increasing in revenue, higher profit margin attributable by new form of building materials and property development business in proportions of the Group's profitability, the Group's overall gross profit margin and net profit margin will be increased steadily in the coming years."

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About Baoye Group Company Limited

Founded in 1975, the Group is the only Hong Kong listed company incorporated in the PRC engaging in construction, production of building materials and property development. It is also the largest and most profitable non-state owned construction company in China. Rooted in Zhejiang Province and operating on a “vertically integrated” business model, the Group has built “Baoye” into a prominent brand. It has already moved its footsteps outside Zhejiang Province and marked its presence in Hefei under the brand of Baoye. Such initiative plus the acquisition of Hubei Construction Group have seen the Group growing from a regional construction company into a nation-wide conglomerate.

The Group was awarded the 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).

The Group’s land reserve is maintained at low cost. Adding to it “three-in-one” competitive advantage, quality construction workmanship and advanced building materials supplies, all of which would contribute to profit enhancement for the Group’s property development business. The Group recently acquired land in Wuhan to enrich its land reserve, which will suffice to meet its development requirement in the next 5 to 10 years.

Baoye ventured into the building materials and other construction products business in 1994. Its first production base – Baoye Housing Industrial Park in Shaoxing, Zhejiang Province was completed and had commenced commercial production. The construction of its second production base - the Hefei Baoye Residential Housing Industrial Park- has commenced while the construction of Wuhan Baoye Residential Housing Industrial Park is under planning phase.

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