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BAOYE

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 ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the "Board") of Baoye Group Company Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the year ended 31 December 2007. The following financial information is extracted from the audited consolidated financial statements as set out in the Group's 2008 Annual Report.

* *For identification and reference purposes only*

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2008	**2007**
	Note	*RMB'000*	*RMB'000*
Revenue	*2*	9,437,850	7,657,066
Cost of sales		(8,834,696)	(7,120,136)
Gross profit		603,154	536,930
Other income	*3*	58,992	77,630
Other gains – net	*4*	26,044	86,491
Selling and marketing costs		(26,422)	(22,363)
Administrative expenses		(270,844)	(259,259)
Operating profit		390,924	419,429
Finance costs		(97,209)	(68,288)
Share of losses of associates		(2,347)	(1,226)
Profit before income tax		291,368	349,915
Income tax expense	*5*	(135,746)	(114,277)
Profit for the year		155,622	235,638
Attributable to:			
Equity holders of the Company		150,044	225,795
Minority interest		5,578	9,843
		155,622	235,638
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic and diluted (expressed in RMB per share)	*6*	RMB0.226	RMB0.343
Dividends	*9*	53,037	46,407

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2008	**2007**
	Note	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		859,348	760,593
Investment properties		45,235	43,533
Land use rights		748,232	2,008,189
Goodwill		16,534	16,534
Properties under development		54,496	135,541
Investments in associates		28,828	31,175
Available-for-sale financial assets		5,340	–
Deferred income tax assets		28,298	16,314
		1,786,311	3,011,879
Current assets			
Inventories		117,558	116,291
Land use rights		1,694,854	292,236
Properties under development		583,612	620,424
Completed properties held for sale		600,129	130,757
Due from customers on construction contracts		1,317,626	866,751
Trade receivables	*7*	646,345	656,635
Other receivables		978,323	931,352
Restricted bank deposits		462,631	248,067
Cash and cash equivalents		1,362,935	818,474
		7,764,013	4,680,987
Total assets		9,550,324	7,692,866

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		662,964	662,964
Share Premium		847,295	847,295
Other reserves		132,846	146,746
Retained earnings			
– Proposed final dividend		53,037	46,407
– Others		1,251,037	1,155,225
		2,947,179	2,858,637
Minority interest		43,349	37,771
Total equity		2,990,528	2,896,408
LIABILITIES			
Non-current liabilities			
Borrowings		187,000	120,000
Deferred income tax liabilities		77,904	88,775
		264,904	208,775
Current liabilities			
Trade payables	*8*	739,283	706,462
Other payables		870,052	618,872
Receipts in advance		1,244,750	689,268
Current income tax liabilities		250,075	175,790
Due to customers on construction contracts		850,011	541,640
Borrowings		2,335,221	1,851,151
Provision for warranty		5,500	4,500
		6,294,892	4,587,683
Total liabilities		6,559,796	4,796,458
Total equity and liabilities		9,550,324	7,692,866
Net current assets		1,469,121	93,304
Total assets less current liabilities		3,255,432	3,105,183

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Assessment and adoption of new interpretations and amendments

The following new interpretations and amendments to existing standards have been published and are mandatory for the financial year ended 31 December 2008:

HK(IFRIC) Int 11 : HKFRS 2 "Group and Treasury Share Transactions"

HK(IFRIC) Int 12 : "Service Concession Arrangements"

HK(IFRIC) Int 14 : HKAS 19 – "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

Amendment to HKAS 39 and HKFRS 7 : "Reclassification of Financial Assets"

Management has assessed the relevance of these new interpretations with respect to the Group's operations and their impact on the Group's accounting policies. In summary:

(1) HK(IFRIC) Int 11 – provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation is not relevant to the Group because the Group has no share-based transaction;

(2) HK(IFRIC) Int 12 – applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) Int 12 is not relevant to the Group's operations because none of the Group's companies provide public sector services;

(3) HK(IFRIC) Int 14 – provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation is not relevant to the Group because the Group has defined benefit pension scheme;

(4) The HKAS 39, "Financial instruments: Recognition and measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008, which amendments, new standards and interpretations have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application and has so far concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

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

- Construction – provision of construction services
- Building materials – manufacture and distribution of building materials
- Property development – development and sale of properties

The revenue attributable from these three segments is approximately RMB9,357,287,000 and RMB7,597,133,000 for the years ended 31 December 2008 and 2007 respectively.

The Group's other operations mainly comprise the provision of architectural and interior design services, provision of construction equipment rental services. Neither of these constitutes a separately reportable segment.

The business segment results for the year ended 31 December 2008 are as follows:

	Year ended 31 December 2008				
	Construction	**Building materials**	**Property development**	**Others**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	7,888,095	1,430,928	491,092	86,008	9,896,123
Inter-segment revenue	(247,101)	(205,727)	–	(5,445)	(458,273)
External revenue	7,640,994	1,225,201	491,092	80,563	9,437,850
Operating profit/(loss)/ segment result	230,229	73,999	98,206	(11,510)	390,924
Finance costs					(97,209)
Share of losses of associates	–	–	(2,347)	–	(2,347)
Profit before income tax					291,368
Income tax expense					(135,746)
Profit for the year					155,622
Other information					
Depreciation	43,882	41,160	1,162	7,562	93,766
Amortisation	6,854	3,808	298	596	11,556
Provision for doubtful debts, net	1,388	506	330	192	2,416

The business segment results for the year ended 31 December 2007 are as follows:

	Year ended 31 December 2007				
	Construction	Building materials	Property development	Others	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	6,445,621	1,223,995	373,737	65,402	8,108,755
Inter-segment revenue	(320,298)	(125,922)	–	(5,469)	(451,689)
External revenue	6,125,323	1,098,073	373,737	59,933	7,657,066
Operating profit/segment result	218,880	80,024	117,176	3,349	419,429
Finance costs					(68,288)
Share of losses of associates	–	–	(1,226)	–	(1,226)
Profit before income tax					349,915
Income tax expense					(114,277)
Profit for the year					235,638
Other information					
Depreciation	42,875	30,827	1,362	3,454	78,518
Amortisation	8,252	2,549	252	–	11,053
Provision for doubtful debts, net	5,086	3,036	68	183	8,373

The segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended are as follows:

	As at 31 December 2008					
	Construction	Building materials	Property development	Others	Unallocated	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets	4,345,225	1,350,473	3,359,358	387,567	78,873	9,521,496
Investments in associates	–	–	28,828	–	–	28,828
Total assets	4,345,225	1,350,473	3,388,186	387,567	78,873	9,550,324
Liabilities	2,054,369	301,473	1,332,646	99,012	2,772,296	6,559,796
Capital expenditure	84,840	57,547	2,167	70,886	10,330	225,770

The segment assets and liabilities as at 31 December 2007 and capital expenditure for the year then ended are as follows:

	As at 31 December 2007					
	Construction	Building materials	Property development	Others	Unallocated	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets	3,398,731	1,141,889	2,794,231	266,993	59,847	7,661,691
Investments in associates	–	–	31,175	–	–	31,175
Total assets	3,398,731	1,141,889	2,825,406	266,993	59,847	7,692,866
Liabilities	1,779,631	218,335	625,696	25,855	2,146,941	4,796,458
Capital expenditure	157,089	69,280	3,795	2,970	–	233,134

The Group's business activities were mainly carried out in the PRC where the vast majority of the Group's assets are located. During the year, the Group also undertaken construction businesses in three countries in Africa, namely The Republic of Djibouti ("Djibouti"), The Republic of Botswana ("Botswana") and The Republic of Seychelles ("Seychelles"), and had procured certain operating assets for use in these countries. However, no geographical segment information is required to be separately disclosed as these overseas business activities were less than 10% of the Group's consolidated revenue and results as well as the Group's total assets.

3. OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
Interest income	45,344	66,100
Rental income	13,648	11,530
	58,992	77,630

4. OTHER GAINS – NET

	2008	2007
	RMB'000	*RMB'000*
Gains /(losses) on disposals of property, plant and equipment and land use rights	9,468	(40,752)
Government compensation	6,314	80,801
Write-back of other payables	3,746	24,001
Gains on debts restructuring	2,570	9,141
Excess of interest in the acquired net assets from minority shareholders over cost	–	7,584
Fair value gains on investment properties	1,702	3,018
Others	2,244	2,698
	26,044	86,491

5. INCOME TAX EXPENSE

(i) Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the year (2007: Nil).

(ii) PRC Enterprise Income Tax

PRC Enterprise Income Tax ("EIT") is provided on the assessable income of the Group's entities incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances.

The Company and its subsidiaries are subject to EIT at a rate of 25% (2007: 33%).

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. As a result, the enterprise income tax rate of the Company and its subsidiaries incorporated in the PRC has been changed from 33% to 25% effective from 1 January 2008.

(iii) PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The amount of income tax expenses charged to the consolidated income statement represents:

	2008	**2007**
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	111,370	132,835
– PRC land appreciation tax	47,231	26,919
Deferred income taxes relating to the temporary differences	(22,855)	(16,886)
Deferred income taxes resulting from change in the tax rates	–	(28,591)
	135,746	114,277

6. EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	**2007**
Profit attributable to equity holders of the Company *(RMB'000)*	150,044	225,795
Weighted average number of ordinary shares in issue during the year *(thousands shares)*	662,964	658,628
Basic earnings per share *(RMB)*	RMB0.226	RMB0.343

Diluted

The Company had no potential dilutive effect in shares in both 2007 and 2008, thus the diluted earnings per share is the same as basic earnings per share.

7. TRADE RECEIVABLES

	2008	**2007**
	RMB'000	*RMB'000*
Trade receivables	672,311	680,185
Less: provision for doubtful debts	(25,966)	(23,550)
	646,345	656,635

The net book value of trade receivables approximates their fair value.

The provision for doubtful debts has been included in administrative expenses in the income statement.

The ageing analysis of the trade receivables is as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Within 3 months	283,477	347,340
3 months to 1 year	227,898	241,457
1 to 2 years	84,789	39,710
2 to 3 years	25,682	26,988
Over 3 years	50,465	24,690
	672,311	680,185

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.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

8. TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	2008	2007
	RMB'000	*RMB'000*
Within 3 months	197,876	298,742
3 months to 1 year	264,120	256,086
1 to 2 years	163,068	99,053
2 to 3 years	52,776	17,747
Over 3 years	61,443	34,834
	739,283	706,462

9. DIVIDENDS

	2008	2007
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.08 (2007: RMB0.07) per ordinary share	53,037	46,407

The directors recommend the payment of a final dividend of RMB0.08 per ordinary share, totaling RMB53,037,000. Such dividend is to be approved by the shareholders of the Company at the Annual General Meeting scheduled to be held on 26 June 2009. These financial statements do not reflect this dividend payable. The final dividend of RMB0.07 per ordinary share in the amount of RMB46,407,000 in 2007 was declared and paid in 2008.

According to the new PRC enterprise income tax law and the detailed implementation regulations, foreign corporate shareholders are subject to a 10% withholding tax ("WHT") for the dividend repatriated by the Company starting from 1 January 2008. According to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation on 22 February 2008, where the Company declares dividend in 2008 and thereafter out of the cumulative retained earnings as of 31 December 2007 (i.e. 2007 retained earnings), such dividends earned by the foreign shareholders are exempted from WHT. For dividend which arises from the Company's profit earned after 1 January 2008, WHT is levied on the foreign corporate shareholders.

Closure of Register of Member

The register of member of the Company will be closed from 26 May 2009 to 26 June 2009, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned final dividend, all transfer forms, accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (for holders of the Company's H Share) no later than 4:00 p.m. on 25 May 2009.

Annual General Meeting

The Annual General Meeting of the Company will be held on 26 June 2009. The notice of the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

For the year ended 31 December 2008, the Group achieved a consolidated revenue of RMB9,437,850,000 (2007: RMB7,657,066,000), an increase of approximately 23% compared to the previous year; operating profit reached RMB390,924,000 (2007: RMB419,429,000), a decrease of approximately 7% compared to last year; profit attributable to equity holders of the Company amounted to RMB150,044,000 (2007: RMB225,795,000), a slip of approximately 34% from last year; earnings per share was RMB0.226 (2007: RMB0.343), a decrease of approximately 34% compared to last year; and net assets value per share was RMB4.45 (2007: RMB4.31), up approximately 3.1% over last year.

Revenue

	2008		**2007**		**Change**
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Construction	7,640,994	81%	6,125,323	80%	+25%
Property Development	491,092	5%	373,737	5%	+31%
Building Materials	1,225,201	13%	1,098,073	14%	+12%
Others	80,563	1%	59,933	1%	+34%
Total	9,437,850	100%	7,657,066	100%	+23%

Operating Profit

	2008		**2007**		**Change**
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Construction	230,229	59%	218,880	52%	+5%
Property Development	98,206	25%	117,176	28%	-16%
Building Materials	73,999	19%	80,024	19%	-8%
Others	(11,510)	-3%	3,349	1%	-444%
Total	390,924	100%	419,429	100%	-7%

Construction Business

For the year ended 31 December 2008, the Group's construction business registered a revenue of RMB7,640,994,000, up approximately 25% over last year; operating profit amounted to RMB230,229,000, representing an increase of approximately 5% over last year.

For the year ended 31 December 2008, the total contract value for construction-in-progress of the Group's construction business was RMB25,882,037,000, representing an increase of approximately 11% over last year, details of which are analysed below:

By project nature

	2008		2007		Change
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Government and Public Buildings	9,835,174	38%	8,167,188	35%	+20%
Urban Infrastructure	7,505,791	29%	7,467,143	32%	+1%
Residential Projects	4,917,587	19%	4,666,965	20%	+5%
Industrial Projects	3,623,485	14%	3,033,527	13%	+19%
Total	25,882,037	100%	23,334,823	100%	+11%

By region

	2008		2007		Change
	RMB'000	*% of total*	*RMB'000*	*% of total*	
Zhejiang Province	8,876,354	34%	8,167,188	35%	+9%
Shanghai	8,435,228	33%	7,933,840	34%	+6%
Central China Region	6,970,509	26%	6,143,023	26%	+13%
Northern China Region	1,441,126	6%	933,393	4%	+54%
Overseas	158,820	1%	157,379	1%	+1%
Total	25,882,037	100%	23,334,823	100%	+11%

Overseas construction business was principally carried out in three African countries including Djibouti, Botswana and Seychelles.

During the year, the economic and financial crisis has created enormous challenges to the China economy. Amid such challenges, the Group's total contract value for construction-in-program still recorded an upsurge of approximately 11% over last year, amounting to approximately RMB25.8 billion, in which order backlog amounts approximately RMB16.8 billion. In addition, new orders amounted to approximately RMB4.9 billion have been contracted for but not yet commenced construction works. As at 31 December 2008, the total construction order backlog value plus new construction contracts amounted to approximately RMB21.7 billion (31 December 2007: RMB18.6 billion) in total. These achievements were primarily the results of our established goodwill and reputation in the market place and increased market presence in other provinces apart from Zhejiang Province over the past years.

During the year, the Group's new win construction order book approximated to RMB13 billion, representing an increase of approximately 22% over the preceding year, which includes the New Terminal Building of Hangzhou International Airport, Dongyi Financial Plaza, the highest building in Anhui; Jing'an Temple Traffic Terminal, key project of World Expo in Shanghai; WenLing City Passenger Transportation Center; and two railway stations at Yueqing and Yongjia of Ningbo-Taizhou-Wenzhou Railway; all of which require advanced and complex construction technologies and know-how and have drawn a new chapter for our construction profile in airport and railway construction and have provided a well established platform for the Baoye brand and our capability.

Hubei Baoye, through its continuous efforts and development by implementing modern management control techniques in the past three years, has seen improvements in all aspects of business. During the year, Hubei Baoye's new win construction order book amounted to approximately RMB2.7 billion (2007: RMB2 billion). At the same time, the construction contract value from overseas contracts accounted for RMB0.8 billion (2007: RMB0.5 billion), comprising the landmark projects like the President Office in Djibouti and the highest building, GH, in Botswana, in Africa etc.

In 2008, the construction projects undertaken by the Group in terms of quality and management have won numerous industry awards and recognitions, these principal awards and recognition include:

Projects	**Awards**
Arts and Science Building of Shaoxing University	Luban Award
Curtain Wall project of Beijing Olympic Wukesong Stadium (joint construction)	Luban Award
Xiangfan Stadium of Hubei	National Outstanding Award
Administrative Center of Cangnan City	National Outstanding Award
China Yellow Wine Museum	Qianjiang Cup
Zhejiang Foreign Trade Building	Qianjiang Cup
Anhui Investment Building	Huangshan Cup
Junior Arts school, Hefei City Green Garden	Huangshan Cup
Block 18 of Hefei City Green Garden	Hupo Cup

The Group has received "Luban Award", the highest ranking of its kind in China, in respect of the construction of the Arts and Science Building of Shaoxing University during the year. It was the eleventh time the Group has been granted this award and is the private-owned enterprise who has received the highest number of Luban Awards in history. In addition, the Group has been jointly awarded another "Luban Award" together with the joint construction contractor for the Curtain Wall project of Beijing Wukesong Olympic Stadium.

Property Development Business

Property Sales

During the year of 2008, the revenue of the Group's property development business amounted to RMB522,411,000, after deductions of sales tax and related levies in the amount of RMB31,319,000, net revenue after sales tax and levies was RMB491,092,000 an increase of approximately 31% over last year; operating profit amounted to RMB98,206,000, a decrease of approximately 16% from last year.

Those pre-sold units for Shanghai Jing'an Ziyuan project were intended to be included in the results of 2008. However, as some completion and inspection procedures could not be completed prior to 31 December 2008, these sales revenues were therefore being excluded from the results of 2008. Accordingly the Group has posted profit warning announcement on 12 February 2009. The completion and inspection procedures have now been completed and all pre-sold units had been delivered to purchasers before the end of March 2009, the sales of which amounting to RMB827,580,000 have been accounted in the first quarter of 2009.

During the year of 2008, the Group's property sales was primarily derived from the sale of City Green Garden Phase 2 and Zhejiang Commercial City in Hefei and Linjiang Green Garden in Shaoxing County.

The total gross floor area of City Green Garden Phase 2 sold was approximately 60,919 square meters, achieving a revenue of approximately RMB213,542,000. The average selling price per square meter was approximately RMB3,505, which levels the average selling price per square meter of RMB3,500 in 2007. The total gross floor area of Zhejiang Commercial City sold was approximately 44,765 square meters, achieving a revenue of approximately RMB151,580,000. The average selling price per square meter was approximately RMB3,386, representing an increase of approximately 20% compared to the selling price RMB2,800 per square meter last year. The total gross floor area of Linjiang Green Garden sold was approximately 42,088 square meters, achieving a revenue of approximately RMB134,530,000, with an average selling price of approximately RMB3,196 per square meter. The revenue from the sale of the remaining commercial and retails units left-over from prior years amounted to approximately RMB22,759,000.

Projects under development

As at 31 December 2008, the projects under development of the Group are tabulated below:

Project Name	**Location**	**Estimated Gross Floor Area** *(square meters)*	**Equity Interest of the Group**
Baoye Four Seasons Garden Phase 1	Shaoxing	100,000	100%
Daban Fengqing	Shaoxing	250,000	100%
Yuyuan	Shaoxing	180,000	49%
Jing'an Ziyuan	Shanghai	48,239	70%
City Green Garden Phase 2	Hefei	110,000	100%
Baoye Tongcheng Green Garden Phase 1	Hefei	20,000	100%
Baoye Moon Lake Garden	Jingzhou, Hubei	82,000	100%

Baoye Four Seasons Garden is located in Kuaijishan Tourist Resort Zone, a "province-rank" resort district in Zhejiang Province. With historical culture and spectacular scenery, the area is where ancient civilization flourished. Other than its profound cultural tradition and being the origin of many myths and folklores, the area also has a large number of historical heritages. Being only 10 minutes drive from downtown Shaoxing City, "away from the dust yet close to the city", it is known as the "natural treasure in the heart of city". Baoye Four Seasons Garden has a site area of approximately 1,050,000 square meters and gross floor area of approximately 525,000 square meters for the development of townhouses, duplexes or semi-detached houses, and detached houses. The plot ratio is only 0.5. The project also consists of a golfing facility, a five-star hotel, a country garden and a central lakeside garden. The construction of a total of 100,000 square meters of Baoye Four Seasons Garden Phase I, has commenced in 2008.

Daban Fengqing is located in Keqiao, Shaoxing County, with a total site area of approximately 100,000 square meters with 2.5 times plot ratio for development of residential properties of 250,000 square meters. The land is in the development zone of the future central business district of Keqiao, alongside the "dual lake" district, east of Dabanhu, with adequate and well-developed community facilities. The project will be positioned as a premier residential property in Keqiao, Shaoxing County. The construction of Daban Fengqing has commenced in 2008.

Yuyuan is located on No.1 Yangming Road, Shaoxing City, with a total site area of approximately 180,000 square meters with a plot ratio of 1 time for development of 180,000 square meters up-scale residential properties. The Group and Greentown China Holdings Limited, a listed company on The Stock Exchange of Hong Kong Limited (stock code: 3900), have jointly acquired the land and will co-develop it into a high-end property project in which the Group owns 49%. The land area is of close proximity to the resort district of Kuaijishan where the Group's golf club and Baoye Four Seasons Garden project are located, 8 kilometres from the central business district of Shaoxing City, and will be developed as low rise premium residential properties. The construction of Yuyuan has commenced and the exhibition center was open in 2008.

Jing'an Ziyuan is located on Jiangning Road in Jing'an District, Shanghai, close to the downtown prominent area, "Golden Delta", of Nanjing Road West, which is truly a prime location of Shanghai. The project has a gross floor area of approximately 48,239 square meters, which were developed as luxurious service apartments. The revenue from sale of the 70% pre-sold units in the aggregate sums of RMB827,580,000 has been accounted for in the first quarter of 2009 after completion of inspection procedures and satisfactory delivery of the units to purchasers.

City Green Garden Phase 2, with a total gross floor area of 170,000 square meters in a prime developing zone in Hefei City, Anhui, is located in Yaohai District with convenient transportation. It comprises mainly high-end properties with a small portion of retail shops and offices. The sale of this property project has been well received by the market, approximately 60,000 square meters have been sold and recognised as revenue in 2008 and a further of approximately 60,000 square meters have been pre-sold. The pre-sale of the remaining units has already commenced in the first quarter of 2009.

Baoye Tongcheng Green Garden is located in Baohe District, Hefei City, with a land area of 58,570 square meters and 2.8 times plot ratio for development of residential area of 164,000 square meters. The project comprises of 9 high rise buildings including condominiums, studio flats and a commercial complex. The project sets a new model of "green living quality life style" and is located in a superb area supported by full community services in Hefei. Pre-sale of Phase 1 of the project has commenced by the end of 2008, approximately 60% of the 20,000 square meters of Phase 1 that were putting up for pre-sale have been sold.

Baoye Moon Lake Garden located in the East District, Jingmen City, Hubei, is an area where commercial activities are busy with convenient transportation links and full communities services in particular education facilities. The project is having a total gross floor area of approximately 82,000 square meters with a plot ratio of 1.8 times; comprising of 22 buildings in which 13 will be developed into high rise buildings, 9 will be developed as low rise buildings and alongside the Moon Lake Road a commercial complex will be developed. The construction works have been commenced in early 2008 and it is expected that pre-sale will begin in the second half of 2009.

Building Materials Business

During the year of 2008, the revenue of the Group's building materials business amounted to RMB1,225,201,000, up approximately 12% over last year; operating profit was RMB73,999,00, representing a decrease of approximately 8% from last year.

The revenue breakdown of the Group's building materials is set out below:

	2008 *RMB'000*	**2007** *RMB'000*	**Change**
Ready-mixed concrete	319,324	302,560	+6%
Curtain wall	383,568	340,269	+13%
Wood products and Interior decoration	237,560	200,128	+19%
Steel structure	179,260	150,333	+19%
Concrete pipes	55,812	54,978	+2%
Concrete ducts	6,426	7,052	-9%
Large roof sheathings	10,751	12,768	-16%
Fireproof materials	22,279	20,807	+7%
Others	10,221	9,178	+11%
Total	1,225,201	1,098,073	+12%

As depicted from above, revenue of curtain wall, steel structure, wood products and interior decorations have registered healthy growth during the year. This was primarily the results of our advancement in technologies and increased market recognition. However, revenue decline of those traditional products like ready-mixed concrete and large roof sheathings have seen keen competitions from local manufacturers. The increase in competition and the impact arose from financial crisis have driven the decline in profit margin of the building materials business from approximately 7.3% in 2007 to approximately 6% in 2008.

Since being nominated by the Construction Ministry of People's Republic of China as the only pilot site for industrialisation of building materials in Zhejiang Province in 1997, the Group has devoted a lot of efforts in upbringing the technologies advancement in this area. In March 2006, the Group started co-operation with Japan's Daiwa House Industry Company Limited ("Daiwa Japan") to pave a long term strategic partnership in pursuing industrialisation of building materials. At present, the Group has completed construction of and put in use various testing laboratories in interior environment, curtain wall, and durability, etc. These laboratories have rendered services to both internal and external customers. The Group also works in collaboration with the China Construction Research Institute and Tsinghua University in construction technologies research.

During the year, the Group has established a team of highly qualified professionals in research and development and had increased investments in research and development facilities. At the same time, the Group is also pleased to note that the changes that have been emerged in the construction industry in meeting the customers' choice of preference and requirements from sizable living units to comfortable and energy saving living units. Prefabricated building materials products the Group developed and manufactured are able to reduce waste and pollution, shorten production lead time and ensure consistent and stable quality standard at the same time, therefore the adoption of "New Village Construction" policy by the China government will provide abundant business opportunities for the Group's industrialized building materials products and has laid a very solid foundation for the Group in this business segment.

Business Prospect

Construction Business

The PRC government has adopted a two-prone approach to alleviate the negative impacts brought by the global economic and financial crisis, i.e. increase government fixed asset investments and enhance domestic consumption. The construction industry will benefit directly from the increase in spending in fixed asset investments and will benefit indirectly from the increase in domestic consumption in a longer time frame due to increased requirements in trading, retailing and production facilities. Although we do not have a concrete number, but it will definitely constitute a large portion of the RMB4,000 billion investment spending announced by the PRC government.

Due to historical reasons, large infrastructural construction projects such as railways, highways and port facilities have been dominated by a few state-owned construction enterprises in the past. With the speedy development and growth of privately-owned construction enterprises, the China Construction Law and the Administrative measures governing tendering procedures pronounced by the PRC government, we will see that the construction industry will further be regularised and commercialised.

The Group, has attained all sorts of construction licence including infrastructural construction which enable us to undertake more than 40 different types of construction projects. Baoye, is one of the very few privately-owned enterprises having obtained premium class general contractors licence. Although we are, at this stage, still not being able to compete with state-owned conglomerate construction enterprises, we now have been able to undertake and bid for peripheral infrastructural construction projects such as railway stations, transport terminal buildings, link roads to high ways and local government's public facilities including exhibition centers, stadium and airport buildings.

The projects under construction together with new construction contracts valued at RMB21.7 billion. Our construction business will see a great prospect ahead of us in light of the RMB4,000 billion investment spending and our recent progress in pursuing new construction contracts.

The Company, as a private-owned enterprise and has been built through years of intense competition and elimination, becomes stronger in business nowadays. We manage and operate ourselves under strict commercial initiatives upon which salaries and incentives for key executives are aligned with operating results in each profit center. This has helped our profits margin in excess of our competitors and has positioned the Group in the forefront of the construction industry in China. We are confident that our profits margin would be enhanced in light of new market entrances, advanced construction technologies, and effective incentive schemes, as well as the revenue mix of our high-end construction contracts as a percentage of total contract enlarges.

Property Development Business

The negative impacts eroded by the US subprime mortgage had been deepened in the second half of 2008 and had seeped into the real economies. Both properties selling prices and quantities had fallen drastically; real estate developers had been suffering from slow sales, difficulties in soliciting financing and cash flow problems; and the share prices of PRC property developers that are listed in Hong Kong and China had been dropped significantly. However, looking back, the real estate properties prices had not gone that far compared to shares prices, some properties prices in prime locations had even recorded gains in that period in China. In the first quarter of 2009, the turnover of real estate properties markets has seen remarkable improvements. For this reason, we will need to understand why real estate properties prices in China have not slipped in the same momentum similar to shares prices, unlike the negative equity assets situation in Hong Kong during the Asia financial and economic crisis in 1997 and that a number of financial institutions went bust soon after the subprime mortgage crisis in the US; the reasons are summarized below:

- The continuous demand in housing is supported by the large population in China;
- The increase in urbanisation has created demand in housing requirements in cities;
- The requirements for modern housing have increased as a result of old town re-development;
- The requirements for per capita living area have increased because disposal income per capita has increased;
- PRC purchasers requiring bank financing and mortgage amounts is much lower than in Hong Kong and other developing countries in the world;
- The PRC government rescue policies against the real estate markets have been implemented in a timely manner before any severe damages against the properties held by the general public and the economy have emerged;

- The high saving ratio, low interest rate, and limited investment channels have helped to preserve the value of traditional investment in real estate properties in PRC; and

- The anticipated inflationary trend resulted from increased money supplies of major economies in the world have shortened people's waiting and observation time.

Judging from the above, we believe that the real estate markets in China have not only survived a major contraction but will maintain a healthy growth in the years to come. Therefore, we remain positive and expect a prospective future for the future development of real estate properties.

The Group's property development business is the core of our earnings growth, our land reserve are relatively less costly and are located in prime areas in the markets where we are familiar with. We are confident that with our established brand and quality of our products, the profit contribution from the property development business will continue to increase from time to time.

Building Materials Business

If our assessments on the future prospects for our construction and property development businesses are correct; sharing the same vision, building materials business will also be prosper in the future.

The building materials markets in the PRC are huge and being spread out in different regions. Its products are generally low technology content. Our strategy to enhance our market share in this segment is to adopt our prefabricated building materials by uplifting technology content, mass production of energy saving and environmental friendly products, and facilitate assembly at construction site. Through continuous research and application of prefabricated building materials, the Group endeavors to attain the vision in industrialization of building materials, which is also the Group's mission of achieving "From construction to manufacturing, leads construction industry towards industrialisation in China".

At present, the China construction industry is still adopting low labor cost strategy in competing for construction contract. However, labor intensive production processes have generated a lot of waste and pollution including noise pollution, and higher utilization of energy consumption. The PRC government has become increasingly aware that this will create major obstacles and hurdles for the development of cities and has implemented a series of incentive policies to encourage green, energy saving and environmental friendly construction.

The time it takes to transform "From construction to manufacturing" cannot be accomplished within a year or two, but will be accomplished over time. We believe that this accomplishment will be reflected in our financial performance in the future, leveraging on our investments in industrialisation of building materials, construction research institute, co-operation with Daiwa Japan and the support from government authorities.

Financial Review

Treasury Policies

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

The Group has established a Financial Settlement Center, which centralises funding for all its subsidiaries at group level. The Board believes that such policy can achieve better control on the treasury operations; minimise financing risks and lower average cost of funding.

Financial Resources and Liabilities

With the support of steady increase in cash flow, sound credit record and excellent reputation in the industry, the Group preserved the AAA credit rating by a credit rating institution recognized by the People's Bank of China in 2008. Such excellent credit rating will benefit the Company's financing activities and allows the Group to continue enjoying the prime rate offered by the People's Bank of China. During the year, the Group maintained most of its borrowings on an unsecured basis. The amount of secured debt only accounted for 9% (2007: 9%) of the total borrowings. In addition, approximately 35% of the total borrowings (2007: approximately 23%) were jointly guaranteed by the Chairman of the Board, Mr. Pang Baogen, in his personal capacity and subsidiaries of the Group to the lending banks. Leveraging on its excellent credit rating, the Group will continue to obtain its borrowings on an unsecured basis, which will be supplemented by project financing when necessary.

The Group's objectives in managing capital are to safeguard the Group's ability to operate as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratios of the Group were as follows:

	As at 31 December	
	2008	**2007**
	RMB'000	*RMB'000*
Total borrowings	2,522,221	1,971,151
Less: Cash and cash equivalents	(1,362,935)	(818,474)
Restricted bank deposits	(462,631)	(248,067)
Net borrowings	696,655	904,610
Total equity attributable to the Company's equity holders	2,947,179	2,858,637
Net gearing ratio	24%	32%

The Group will continue to adopt prudent policy to maintain low gearing ratio. The Group has unutilised banking facilities amounting to approximately RMB3 billion (31 December 2007: approximately RMB1 billion) as at 31 December 2008. The Group has very strong financial position and sufficient financial resources for future expansion and development.

Key Financial Ratios

	As at 31 December	
	2008	**2007**
Return on equity	5.1%	7.9%
Net assets value per share *(RMB)*	4.45	4.31
Net gearing ratio	24%	32%
Current ratio	1.23	1.02

Return on equity	=	profit attributable to equity holders of the Company/total equity attributable to the Company's equity holders
Net assets value per share	=	net assets/shares in issue at the end of the year
Net gearing ratio	=	net bank borrowings/total equity attributable to the Company's equity holders
Current ratio	=	current assets/current liabilities

During the year, return on equity experienced a decline. The reduction in profit contribution was primarily due to exclusion of the revenue contribution derived from pre-sale units of Jing'an Ziyuan that had been pre-sold. Such sales proceeds had been received and had then improved the liquidity position when compared to 2007; however, the real current ratio is over 1.23 as the corresponding sales receipts from Jing'an Ziyuan and other properties were recorded in the "receipts in advance" account under current liabilities and had led the current ratio to tarnish.

Cash Flow Analysis

		For the year ended 31 December	
		2008	**2007**
	Note	*RMB'000*	*RMB'000*
Net cash inflow/(outflow) from operating activities	*(1)*	172,262	(1,123,004)
Net cash outflow from investing activities	*(2)*	(132,464)	(99,710)
Net cash inflow from financing activities	*(3)*	504,663	1,258,489
Increase in cash and cash equivalents		544,461	35,775

Notes:

(1) During the year of 2008, net cash inflow from operating activities was RMB172,262,000, an increase of RMB1,295,266,000 when compared to that of 2007 of RMB1,123,004,000 net cash outflow, which was primarily attributable to the sales proceeds received in advance for the Jing'an Ziyuan properties sales and other properties sales, as well as improvements in accounts receivables. The reduction in EIT from 33% to 25% had also reduced cash outflow during the year.

(2) Net cash outflow from investing activities of RMB132,464,000, increased RMB32,754,000 over 2007, was primarily used for construction of Kuaijishan Golf Club as well as purchase of plant and machineries for Baoye Group Zhejiang Construction Research Institute Company Limited and the Industrial Parks in Hefei and Wuhan.

(3) Net cash inflow from financing activities amounted to RMB504,663,000, representing a decrease of RMB753,826,000 when compared to 2007. The decrease was primarily due to the placing of new H shares to Tiger Global in 2007, whereas the cash inflow in 2008 was all caused by bank borrowings.

Land Appreciation Tax

On 28 December 2006, the State Administration of Taxation pronounced a circular in respect of the rules and regulations pertaining to land appreciation tax applicable to real estate and property development enterprises in clearing their pending tax assessment. The land appreciation tax came into effect in 1993. The Group has consistently complied with the tax rules and regulations in the PRC and conformed to the Hong Kong Financial and Accounting Reporting Standards in accounting for such tax provision. Besides, the Group is an integrated enterprise with construction as its core business, while building materials manufacturing and sale and property development as its supporting businesses. Therefore, the financial impact resulting from the land appreciation tax pronouncement towards the Group's operating results would be minimal.

External Guarantee and Fulfillment

	2008	**2007**
	RMB'000	*RMB'000*
Guarantees given to banks in respect of mortgage facilities granted to third parties	50,830	56,657

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 Group. The banks will release such guarantees upon the building ownership certificates of such properties are delivered to the banks as securities.

Details of the charges on the Group's Assets

As at 31 December 2008, land use right, buildings and properties under development at a total value of approximately RMB428,029,000 (31 December 2007: approximately RMB392,140,000) were pledged to banks as securities in securing bank borrowings.

Capital Expenditure Plan

Due to the future uncertainty that may be generated by the current financial crisis, the Group will exercise its prudent approach for committing capital expenditure to ensure that our cash resources are wisely managed. The Group has had no major capital expenditure plan at present and will adjust these spending and investment plans as and when the markets evolve.

Adjustment of RMB Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB, and therefore do not have any direct exposure to foreign exchange fluctuation. The Board does not expect the adjustment of RMB exchange rate and other foreign exchange fluctuations will have any direct impact on the business operations or financial results of the Group.

CONNECTED TRANSACTIONS

During the year of 2008, the Group had no connected transaction that would require disclosure under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year of 2008, neither the Company nor any of its subsidiaries or jointly controlled entity has purchased, sold or redeemed any of the Company's listed securities.

HUMAN RESOURCES

As at 31 December 2008, the Group had approximately 3,710 employees (31 December 2007: approximately 2,005). There are approximately 62,700 indirectly employed construction site workers (2007: approximately 55,600), these workers are not directly employed by the Group. Total staff costs amounted to RMB1,395,565,000 (2007: RMB1,012,835,000) for the year ended 31 December 2008. Remuneration is determined by reference to market terms as well as the performance, qualifications and experience of individual employee. Employee benefits provided by the Group include pension and medical insurance coverage. The Group highly values human resources management, and devotes to establishing a high quality team to support its long term business development. The Board intends to implement a more effective employee incentive plan.

LITIGATION AND ARBITRATION

As at the date of this announcement, the Group had no material litigation and arbitration.

ENTRUSTED DEPOSITS AND OVERDUE TIME DEPOSITS

As at the date of this announcement, the Group does not have any entrusted deposits placed with 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the year ended 31 December 2008, except that the role of the chief executive officer of the Group has been assumed by Mr. Pang Baogen, the Chairman of the Board.

Three general managers have been appointed to oversee and manage the three main business activities (construction, property development and building materials) of the Group respectively, each of whom has partly shared the duty of the chief executive officer to which they manage. The Board believes that the current arrangement has installed a proper segregation of duties mechanism and adequately streamlined the responsibility well and a simple management structure can enhance the communication amongst staff at different levels as well as enabling execution of new policies efficient. Therefore, the Board endorsed the position of chief executive officer to be assumed by the Chairman of the Board. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Board and the supervisory committee have adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions by the directors and supervisors. Having made specific enquires of each of the directors and supervisors, all of them have confirmed that they have complied with the required standards set out in the Model Code throughout the year of 2008.

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive directors, Mr. Wang Youwei, Mr. Yi Deqing and Mr. Chan Yin Ming, Dennis. The audit committee held two meetings during the year. All three members attended the meetings. The audit committee has discussed the accounting policies, the critical accounting estimates and assumptions, the audit objectives and the scope of the Group's internal audit department with management. They also discussed with the auditors on their audit plans and key audit areas. The audited consolidated annual financial statements and the annual results announcement of the Group for the year ended 31 December 2008 had been reviewed by the audit committee before submission to the Board for approval.

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The full text of the Group's 2008 Annual Report will be sent to the shareholders of the Company and posted on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.baoyegroup.com) respectively in due course.

APPRECIATION

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

By order of the Board
Baoye Group Company Limited*
Pang Baogen
Chairman

Zhejiang, the People's Republic of China
9 April 2009

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Pang Baogen, Mr. Gao Lin, Mr. Gao Jiming, Mr. Zhou Hanwan and Mr. Wang Rongfu; and five independent non-executive directors, namely Mr. Wang Youwei, Mr. Yi Deqing, Mr. Hu Shaozeng, Mr. Chan Yin Ming, Dennis and Mr. Sun Chuanlin.

* *For identification and reference purposes only*